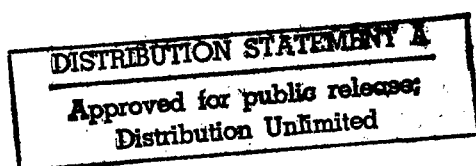




# ***JPRS Report***

# **China**

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18 May 1993

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## NATIONAL AFFAIRS, POLICY

### Major Price-Related Events in 1992

93CE0433A Beijing *JIAGE LILUN YU SHIJIAN*  
[PRICE: THEORY AND PRACTICE] in Chinese  
20 Feb, 20 Mar 93]

[20 Feb 93 pp 57-64]

[Text] January

1 January. JINGJI RIBAO reported that the State Council Office has approved and forwarded the State Council Housing System Reform Leadership Team's "Views on Moving Ahead Fully With City and Town Housing System Reform," which provides as follows:

The phased goals of city and town housing system reform are:

**Goals During the Eighth Five-Year Plan.** Begin by changing the allocation of housing at low rent or without charge, an effort made to use three simple reproduction factors (maintenance, management, and depreciation expenses) as the standard for calculating the rent to be charged for public housing.

**Ten-Year Goal.** The standard to be used in calculating the rent to be charged for public housing by 2000 should include five costs (maintenance, management, depreciation, investment interest, and real estate taxes).

**Long-term Goal.** The standard used in calculating rent for housing is to include eight factors (the foregoing five costs plus land use fees, insurance and a profit). Housing is to be much better equipped, every household having a comfortable dwelling. The real estate market is to be better developed, the home financing system improved, and the change to a commercial mechanism for housing completed for the commercialization of housing and the freeing of housing from government involvement.

#### Pertinent Policies Requiring Reiteration and Clarification

(1) **The Rent Increase and Subsidization Issue.** In raising rents, the focus must be on charging a rent that is fair in comparison with what could be obtained from sale of the same housing. The principle of "higher rents and less subsidization" is to be maintained.

(2) **The Housing Sale Issue.** The price at which public housing is sold must be fair. It must take into consideration the purchasing power of workers and staff, but not be set too low at the same time. The price of housing is to be divided into a standard price and a market price. The standard price includes the cost of building the housing itself as well as additional costs incurred in requisitioning the necessary land and clearing the site. Initially, the sale price of public housing is to be appraised by a professional appraising agency, approved by assets, real estate, and price control units, and reported for examination and approval to the people's government of the province, autonomous region, or

directly administered municipality. The sale of public housing at overly low prices is forbidden.

(3) **The New Housing System Issue.** For new housing that becomes available beginning in 1992, the principle to be followed in all cases is to offer it for sale first and then for rent, new rents applying to new housing, and housing being rented in return for payment. The principle of "higher rents and lower subsidies" is to be followed regarding rents, rents rising substantially.

9 January. The State Commodity Prices Administration and the Chinese Petrochemical Corporation jointly issued "Supplementary Circular Notice on Readjustment of the Ex-Factory Prices of Some Lubricating Oils (and Greases), Crude Oil, and Aromatic Hydrocarbon Petroleum Products." The overall level of ex-factory prices of high priced lubricating greases (or oils) remains unchanged; the difference between the parity price and the high price has narrowed, and the ex-factory price of No 20 CA diesel engine fuel has also been corrected.

13 January. JINGJI RIBAO reported that the Ministry of Communications, the State Statistical Bureau, the Ministry of Finance, and the State Commodity Price Administration issued regulations on the collection and control of highway maintenance fees effective as of 1 January 1992.

This regulation provides that road maintenance fees are to be paid according to regulations for all licensed passenger vehicles, specially built vehicles, special purpose vehicles, tractor trailers, stripped down motor vehicles (including trucks used in agriculture), trailers, towed flat-bed trucks, wheeled tractors, and motorcycles (both the two-wheel and the three-wheel kinds), as well as licensed animal-powered vehicles used on highways (including temporarily licensed vehicles and vehicles licensed for test purposes), vehicles used by the armed forces, the public security and people's armed police system in the local transportation business, in the contracting of civilian projects and leased to local units and individuals; vehicles of business enterprises in the armed forces and the public security and people's armed police system; vehicles belonging to foreign-owned enterprises, Sino-foreign joint ventures, and Sino-foreign contractual joint ventures; vehicles of international organizations and foreign agencies in China; vehicles used by foreign individuals in China; and all foreign vehicles temporarily used in China.

The road maintenance fee rate is set at 12 to 15 percent of gross business revenues, the specific standard to be set by the provincial transportation department on the basis of local highway technology, as well as the number of vehicles on which the fee is collected. Following commodity price unit examination and approval at the same level, a report is to be filed with the provincial people's government for approval and implementation, copies also provided as a matter of record to the State Commodity Price Bureau, the Ministry of Communications, the Ministry of Finance, and the State Statistical Bureau.

20 January. RENMIN RIBAO reported State Statistical Bureau issuance of "Review of the Economic Situation in 1991, a Year in Which Outstanding Successes Were Made in Improving the Economic Environment and Rectifying the Economic Order and in Continuing Reform," which said that market prices have not risen greatly. The overall retail price level for the year rose about 3 percent over 1990. This is lower than the anticipated 6 percent rise. The present rise in market prices results largely from readjustments to the price structure; demand plays a relatively small role in propelling price rises. The effect on prices of rises in costs stems largely from consecutive year rises in the purchase prices of raw and processed materials, and power. Large consecutive year staff and worker wage increases and the increase in interest payments have also directly propelled consecutive year rises in business enterprise product costs, which rose another 5.2 percent in 1991 on top of a 7 percent rise in 1990. Pressures stemming from rising costs may have produced a rise in commodity prices because of the practice of enterprises in recent years of raising prices instead of swallowing the costs. Prices have risen substantially in large and medium size cities. Prices of staff member and worker daily necessities in 35 large and medium size cities rose 8 percent for the year as a whole, an amount far higher than the national average. This has begun to hurt the hopes of some consumers.

25 January. The State Commodity Price Administration, the State Council Government Offices Administration, and the CPC Central Committee Work Committee for Government Organs jointly issued "Standards for Fee Collections by Guest Houses, Reception Centers, Guest Rooms, Assembly Halls, and Conference Rooms at All Levels Directly Administered by Organs of the CPC Central Committee and the State."

27 January. The Ministry of Metallurgy and the State Commodity Price Administration jointly issued a circular notice providing for the use of new standards in the revision of Category I and Category II uniform state ex-factory prices of low carbon steel distortion-controlled rolled wire rods, and it changed the former setting of prices by brand name to the setting of prices for killed steel and rimmed steel.

28 January. The General Administration of Aviation of China, the Ministry of Finance, and the State Commodity Price Administration jointly issued "Circular Notice on the Collection of Civil Airfield Management and Construction Fees," which provides that as of 1 March 1992 all Chinese and foreign passengers on scheduled flights within China (including the domestic leg of international and regional routes) are to pay a 15 yuan per passenger airfield management and construction fee.

## February

3 February. The State Commodity Price Bureau, the State Tobacco Monopoly Bureau, and the Ministry of Commerce jointly issued a circular notice on problems

pertaining to greater control of tobacco prices in the commodity circulation realm that calls for the following: Decontrol of retail prices, the former pricing method and differential rate restrictions no longer applying; wholesalers selling at the pegged price and retailers marking prices clearly.

10 February. The Ministry of Commerce, the State Commodity Price Administration, and the State Administration of Exchange Control issued a circular notice on the use of cotton during 1991 and 1992 supplied to three kinds of partially or wholly foreign-owned cotton textile enterprises in which it decided that some cotton is to be allocated during 1991 and 1992 from the amounts retained by three provinces and autonomous regions to supply the three kinds of partially or wholly foreign-owned cotton textile enterprises.

12 February. The National Tourism Administration and the State Commodity Price Administration jointly issued a circular notice on the continued implementation of foreign exchange value protection measures for international tourism prices in 1992.

14 February. The State Commodity Price Administration and the Ministry of Commerce issued a joint document that provided for a moderate rise in the fixed procurement price of grain effective 1 April 1992. The amount of price rise above the prevailing state fixed procurement price per 50 kilograms of medium quality grain is as follows: Wheat 6 yuan; round grain nonglutinous paddy 3 yuan; corn 3 yuan; and no change in the price of soybeans. The price differential for quality widened somewhat between ordinary early long grain paddy and premium quality early long grain paddy, and between early round-grain nonglutinous paddy and late round-grain nonglutinous paddy. The rise in price of early long-grain paddy does not exceed 2.40 yuan per 50 kilograms; the rise in price of intermediate long-grain paddy does not exceed 3 yuan per 50 kilograms; and the rise in price of late long-grain paddy does not exceed 4 yuan per 50 kilograms.

17 February. JINGJI RIBAO reported that a responsible official in the State Commission for Restructuring of the Economic System replied to reporters' questions about economic system reform in 1992. He said that price reforms are to continue to be made actively and steadfastly. The premise to be followed is to maintain price stability while invigorating economic demand, keeping the overall price level substantially stable, emphasis being placed on readjustment of the unreasonable price of certain products. Reform of the price-formation mechanism: Prices of commodities for which the supply is generally equal to demand are to be decontrolled step by step, the regulatory role of the market brought into play in setting prices. Close attention is to be given to the amendment and promulgation of new price and division of labor control lists, price and division of labor control

authority adjusted, and the formulation of price decontrol methods is to be studied.

18 February. The State Commodity Prices Administration issued a notice effective 1 April 1992 providing that the admission price to sightseeing sites for foreign cultural and educational specialists is to be the same as for Chinese citizens, and such sites are to be exempt from the collection of foreign exchange certificates from foreign visitors.

28 February. The Public Security Bureau, the State Statistical Bureau, the Ministry of Finance, and the State Commodity Prices Administration jointly issued regulations on fees in connection with the issuance of residents' identity certificates. The fee for the first certificate issued, or for a certificate change, is to be 5 yuan and 10 yuan respectively for jurisdictions in general and for special economic zones.

29 February. JINGJI RIBAO reported that the State Statistical Bureau has published a "Statistical Communique on National Economic and Social Development During 1991." Section 5 of the communique says that the overall market price level remained largely stable during 1991. The overall retail price level for the year rose 2.9 percent over 1990; and the overall price level for daily necessities of both city and country residents (including both consumer goods and services) rose 3.4 percent over 1990. This included a 5.1 percent rise in cities and towns, and a 2.3 percent rise in rural villages. The main problem is the substantial rise in prices in large and medium size cities. Prices of daily necessities of staff and workers in 35 large and medium size cities rose 8 percent over 1990.

### March

7 March. The State Commodity Prices Administration issued "Circular Notice on Readjustment of the Price of Processed Steel Within Plan From the Anshan Iron and Steel Complex, and the Ex-Factory Ceiling Price and Retail Price Limits on Cold-Rolled Strip Steel (Common Carbon Steel) Outside Plan Nationwide."

9 March. RENMIN RIBAO reported that price units at all levels nationwide directly investigated and punished a total of 870,000 instances and cases involving price violations during 1991, and meted out fines totaling 1.01 billion yuan, 890 million yuan of which was paid into the treasury, and 120 million yuan of which was returned to consumers.

Price units continued to check on prices of agricultural means of production such as chemical fertilizer, pesticides, diesel fuel, and seeds, and they concentrated their energies on the checking of rural electricity prices nationwide. Preliminary statistics show that following checks and corrections, rural villages' expenditures for just electricity alone are approximately 2.1 billion yuan less each year. At the same time, close attention is being given to the checking of administrative fees. The illegal

taking of 390 million yuan has been investigated and punished, and more than 4 billion yuan in unauthorized fees has been abolished.

10 March. RENMIN RIBAO reported that Deputy Minister of Commerce Zhang Shiyao [1728 0013 1031] announced that new emphasis will be given to reform of the food and beverage service business during the next several years. State-owned large and medium size hotels and restaurants are to change their operating mechanisms in light of policies for joint enterprise hotels, and small food and beverage service businesses are to be decontrolled and invigorated in light of policies for the individually-owned economy, enterprises thereby truly beginning to establish new mechanisms whereby they make their own operating decisions, are responsible for their own profits and losses, are responsible for their own development, and are responsible for limiting themselves. The Ministry of Commerce decided that during 1992 the food and beverage service business is to devote efforts to further intensification of reform, to changing operating mechanisms, and to vigorous efforts to open markets. Future emphasis is to be on the promotion of "four decontrol" reforms, food and beverage business prices and fee standards for barber-shops, photography salons, baths, and dyeing businesses being set by enterprises themselves on the basis of the laws of value and the market.

11 March. The State Commodity Prices Administration and the Ministry of Economic Relations and Trade [MOFERT] jointly issued a circular notice providing that the procurement price of mulberry silkworm cocoons in all jurisdictions during 1992 will continue to be enforced in accordance with pertinent regulations contained in State Commodity Prices Administration and MOFERT (1991) Jianongzi No 259 "Circular Notice on 1991 Mulberry Silkworm Cocoon Procurement Prices." The national silkworm cocoon intermediate standard procurement price to be uniformly applied is 480 yuan per 500 kilograms.

15 March. RENMIN RIBAO reported that State Pharmaceutical Bureau Director Qi Moujia [7871 180 3946] emphasized that pharmaceutical production and sales cannot be decontrolled without due consideration. He noted that complete decontrol of pharmaceutical production and sales would be disastrous. First, the quality of pharmaceuticals could not be guaranteed; fake and inferior drugs would flood the market. Second, there would be chaos; and third national treasury tax revenues and business returns would be severely damaged.

15 March. JINGJI RIBAO reported that the State Council General Administration of Customs has decided that beginning from 1 April 1992 the import regulatory tax is to be completely abolished. At the same time, the import tariff rate for ordinary cameras and small motor vehicles is to be adjusted. Following cancellation of the import regulatory tax, the actual customs tariff burden on 16 different commodities will be lowered between 28.6 and 61.5 percent.

16 March. The State Commodity Prices Administration and the Ministry of Finance issued "Circular Notice on the Issuance of Central Government-Controlled Tax System Administrative Fee Collection Particulars and Standards," which prescribes that fee standards for tax registration certificate fees, and receipt preparation fees are to be checked by price units in all provinces, autonomous regions, and directly administered municipalities in conjunction with public finance units on the basis of the principles stipulated in State Commodity Prices Administration and Ministry of Finance (1990) Jiafeizi No 228 "Circular Notice on Certificate and Licensing Fee Control."

19 March. JINGJI RIBAO reported that the State Council decided a moderate increase in centralized grain sale prices effective 1 April 1992, which makes the procurement and sale price the same. The notice provides that in accordance with the principle of identical procurement and sale price, the uniform sale price of medium quality wheat flour, rice, and corn is to increase 0.11 yuan per 500 grams nationwide. The price increase is to vary for different varieties of grain in different jurisdictions. The uniform sale price of other kinds of grain are also to be correspondingly increased in accordance with the principles of an identical procurement and sale price, city and town residents to be given suitable subsidies. The State Council emphasized that people's governments at all levels are to rigorously control chain reactions resulting from the grain price increase, taking effective measures to ensure that "market basket" prices and prices of industrial goods used in daily life remain basically stable.

19 March. JINGJI RIBAO reported that the Ministry of Commerce has called for a good job of supplying spring vegetables. In accordance with State Council regulations, contract procurement and plan price are to continue to be applied to a small number of vegetable varieties that are popular in cities to prevent a sharp rise in vegetable prices. Subsidies are to be provided for losses resulting from vegetable policies.

20 March. The State Commodity Prices Administration issued a circular notice raising the ex-factory price of high priced heavy oil within plan, the price increasing from the present 460 yuan to 480 yuan per ton, and the price to be uniform throughout the country no matter the jurisdiction.

23 March. JINGJI RIBAO reported decontrol of wrist watch prices effective from 10 February 1992, the nationwide uniform retail prices being abolished. Business enterprises in all jurisdictions may set their own prices on the basis of quality, import costs, and market supply and demand without being limited by any differential rates. When new prices are set or prices are changed for watches whose importation the state organized, a report is to be made for purposes of the record to the Ministry of Commerce and the State Commodity Prices Administration.

23 March. JINGJI RIBAO reported that subject to State Council approval, effective 1 April 1992 all ports open to the outside world are to institute a uniform standard for the collection of harbor fees to be paid by Chinese ships, foreign ships, and cargo owners. These standards will enable and increase in the fees paid by Chinese ships and Chinese cargo owners to the level paid for foreign ships. The Ministry of Communications promulgated "Port Fee Collection Regulations for Ships Sailing International Routes and Foreign Trade Import and Export Cargoes." These new regulations contain new provisions for the collection of fees. The new fee standards will permit a 40 percent increase in individual Chinese ship harbor fees, a 32.9 percent increase in container loading and unloading fees, and a 260 percent increase in bulk cargo loading and unloading fees.

24 March. The General Administration of Civil Aviation and the State Commodity Prices Administration jointly issued a public notice on the readjustment of ticket prices on airline routes in the country. The published ticket price for foreign tourists, overseas Chinese, and compatriots from Hong Kong and Macao traveling on scheduled civilian flights in the country is to rise an average 16 percent. Baggage and cargo transportation prices are to be correspondingly adjusted.

25 March. The State Commodity Prices Administration and the Ministry of Finance jointly issued a circular notice of particulars and standards for administrative fees in the central government-controlled archives system, the main points of which are as follows: Fees for use of the archives are to be paid in accordance with "Regulations on Collections of Fees for Use of the Archives." Fees for the use of information resources contained in scientific and technical archives are also to be collected in accordance with a corresponding regulation.

27 March. The State Commodity Prices Administration and the Ministry of Finance jointly issued a circular notice revising administrative fees in the tourism system under central government control. This notice provides a uniform fee standard for a visa to enter China, specifically payment of 5 yuan per person for groups of 10 or more people, 10 yuan per person for groups of between two and nine people, and 20 yuan for one person. Regulations also prescribe a VIP badge processing fees.

28 March JINGJI RIBAO reported the State Council's ratification and forwarding of "State System Reform Commission Key Points on Economic System Reform During 1992." The key points pointed out that in accordance with the requirement both to keep prices stable and to invigorate the economy, insofar as the overall price level can be kept substantially stable, emphasis should be placed on readjustment of the prices of important basic products, such as farm products and energy, that are greatly out of line. Reform of the price-formation mechanism: For means of production for which the supply and demand are fairly well balanced and for which the price differential of materials inside

and outside plan is fairly close, different methods are to be used to effect a uniform price, most prices being decontrolled. Prices are to be decontrolled in a step-by-step way for mid-stream and downstream products as the supply and demand situation permits, their prices being left to market regulation. Close attention is to be given to the amendment and issuance of new price and division of labor control lists, adjustments made to price and division of labor control authority, and control methods for the decontrol of prices studied and formulated.

31 March. RENMIN RIBAO reported China's first long-term grain contract price, which the Zhengzhou Wholesale Grain Market issued inside China and abroad.

#### April

1 April. The State Commodity Prices Administration, the Ministry of Commerce, and the Ministry of Textile Industry jointly issued "Official Written Reply on Xinjiang Long Fiber Cotton Problems in 1992," which readjusts the procurement price of standard grade Xinjiang long fiber cotton from 413 to 450 yuan per 50 kilograms, and correspondingly readjusts the supply price.

3 April. The Ministry of Finance, the State Commodity Prices Administration, the Ministry of Commerce, and MOFERT jointly issued a notice raising the allocation and delivery price of grain imports and exports covered by central government plan. Effective 1 April 1992, all the imported grain covered by central government plan that foreign trade departments allocate to all grain transfer posts, and that grain transfer posts transfer to grain departments in all jurisdictions is to be allocated and delivered at the fixed procurement price following the rise in that price. In addition, the allocation and delivery price of export grain covered by central government plan that grain departments supply foreign trade departments is to be based on the fixed procurement price after the price rise.

5 April. RENMIN RIBAO reported the government work report that State Council Premier Li Peng made at the Fifth Session of the Seventh NPC. The report said that prices throughout the country are basically stable, retail prices nationwide having risen 0.9 percentage points. In the area of price reform, the retail price of the parity price grain and oil ration provided city and town residents, which has not been changed for 25 years, has been readjusted, and prices of some basic industrial goods that have been priced too low for a long period of time have been raised. The two price system for some goods, depending on whether or not covered by plan, has been either changed to a single price or the gap between the two has been narrowed. These measures have played a positive role in straightening out price relationships.

The report also said that the 1993 plan calls for controlling the rise in retail prices within six percentage points. Prices of the agricultural means of production are to be

effectively controlled, and arbitrary assessments and collections of fees are to be resolutely halted as a means of lightening peasant burdens. Grain procurement and marketing price system reforms are to be actively carried out, and wholesale markets and futures markets are to be developed. The report also said the straightening out of the correlation among prices through reform, the building of a rational price-formation mechanism, and the development of the entire national economy hold extremely important significance. Efforts must be made to hold the retail price level within the limits that the state, business concerns, and the public can bear.

5 April. JINGJI RIBAO reported that the State Council General Administration of Customs has decided, effective 15 April, that the preferential import tariff rate on cassava is to be lowered from 40 to 20 percent, and the regular tariff rate lowered from 50 to 30 percent. The preferential import tariff rate on 32 bit and above microcomputers is to be lowered from 50 to 20 percent, and the regular import tariff rate is to be lowered from 70 to 30 percent. The export tariff rate on eel fry is to be lowered from 60 to 20 percent.

6 April. RENMIN RIBAO reported that State Council Deputy Premier and concurrent State Planning Commission Director Zou Jiahua [6760 1367 5478] said at the Fifth Session of the Seventh NPC that prices had been substantially restructured during 1991, the overall retail price level for the whole year rising only 2.9 percentage points over the previous year. As a result of the readjustment of city and town residents' grain and oil ration sale prices, and the fees prescribed for some services, prices of daily necessities used by staff members and workers in 35 large and medium size cities rose 8 percent over 1991. During 1991, a series of major reform measures were inaugurated, including a large scale readjustment of the retail price of grain and edible oil supplied as a ration to city and town residents, which had not been changed for many years; and a moderate increase in the prices of basic products such as crude oil, refined petroleum, processed steel, and pig iron, as well as railroad freight transportation. For some products, the different prices charged heretofore for those covered by plan and those not covered by plan have been merged into a single price, and prices of some processed industrial goods have been decontrolled. The report pointed out that plans call for a moderate rise in grain contract procurement prices, and an intensification of farm product price and commodity circulation system reform. Prices are to be maintained substantially stable.

6 April. RENMIN RIBAO reported that State Council member and concurrent Minister of Finance Wang Bing-qian [3769 0014 0051] said at the Fifth Meeting of the Seventh NPC that gross national income totaled 358.281 billion yuan in 1991 for a 104.1 percent fulfillment of budget, and gross national expenditures totaled 379.387 billion yuan for a 106.4 fulfillment of budget, the fiscal deficit amounting to 18.066 billion yuan, 8.76 billion yuan more than budget. Out of the above gross national income, the state also appropriated 50.642 billion yuan

for the subsidization of state-owned enterprise losses. This was 5.03 billion yuan less than the amount budgeted. This reduced revenue by a corresponding amount. Price subsidies out of the national income totaled 37.082 billion yuan for a 112.6 percent of the budgeted amount.

The report said that the State Council has decided to raise grain procurement and market prices at a suitable time in 1992, making the procurement price and the sale price substantially the same. Following readjustment of the sale price of grain, subsidies are to be provided in accordance with the principle of the state, collectives, and individuals sharing the burden, subsidies for staff members and workers in business concerns to be absorbed, in principle, by the business concerns themselves. The State Council also decided that beginning in 1992, seniority wages and bonuses of staff members and workers in administrative units are to be raised, the system of linking wages and bonuses to work efficiency continuing to be implemented and perfected in business enterprises.

The report also called for emphasis during 1992 on enterprise reform, promoting a change in enterprises' operating mechanisms, pushing enterprises in the direction of the market, and continuing to move ahead with associated reform of prices, commodity circulation, finance, housing, and the social security system.

6 April. The State Commodity Prices Administration issued instructions for an increase in the ex-factory prices of high priced refined petroleum products within plan, including gasoline, diesel fuel, solvents, and asphalt.

6 April. The State Commodity Prices Administration issued "Notice on Trademark Registration Proxy Service Fees."

7 April. The State Commodity Prices Administration and the Ministry of Finance jointly issued a document that said that during 1992 the median guidance price for jute and ambari hemp procurement is to continue at 75 yuan per 50 kilograms, a regulation that permits a rise of no more than 10 yuan being enforced.

7 April. The State Commodity Prices Administration and the Ministry of Commerce jointly issued "Circular Notice on Tea Procurement Guidance Prices for 1992," which provides for no adjustment of the state procurement guidance price of tea during 1992. The guidance prices provided in State Commodity Prices Administration and Ministry of Commerce Document (1989) Jianongzi No 173 are to continue to be enforced.

8 April. The State Commodity Prices Administration and the National Tourism Administration jointly issued a circular notice on more effective implementation of foreign exchange guarantee measures by hotels that foreigners frequent. It set a fixed exchange rate for international tourists during 1992 of 545 yuan per \$100, 4.05 yuan per 100 yen, and 70.10 yuan per HK\$100. When a hotel serving foreigners and the travel agency

settle accounts for accommodations, in cases where the national official foreign exchange rate is higher or lower than the international tourist fixed exchange rate in 1992, both parties should reach an agreement through the principle of jointly sharing risks, equality, and mutual benefit.

10 April. RENMIN RIBAO reported that on the basis of data that the State Council Tax, Finance, and Commodity Prices Inspection Office provided, a total of 6.56 billion yuan in funds owing to the national treasury in violation of the law were found as a result of a nationwide major tax, finance and commodity prices inspection during 1991. This was 1.07 billion yuan less than in 1990.

A person in charge at the State Council Tax, Finance, and Commodity Prices Inspection Office said that there have also been quite a few problems with the 1991 major tax, finance, and commodity prices inspection, primarily that somewhat lenient handling has still not been cleared up.

13 April. The State Commodity Prices Administration and the Ministry of Commerce jointly issued a document requiring that the wood procurement guidance price for 1992 is to continue to be enforced in accordance with the provisions of State Commodity Prices Administration and Ministry of Commerce (1991) Jianongzi Document No 207. The amount of price fluctuation for various grades may be handled flexibly as market conditions warrant.

13 April. The State Commodity Prices Administration and the Ministry of Commerce jointly issued "Circular Notice on Differential Rate Problems in Business Dealings," which prescribed that the guiding thought of "both a need to stabilize prices and to invigorate the economy" should be followed for kinds of goods in which the individual transaction price differential in some place remains very thin, the problem to be solved in accordance with price and division of labor control authority.

20 April. The State Commodity Prices Administration and the Ministry of Finance jointly issued "Circular Notice on the Issuance of Administrative Fee Particulars and Standards for the Central Government-Controlled Construction System."

20 April. The State Commodity Prices Administration and the Ministry of Finance jointly issued a circular notice on administrative fee particulars and standards for the central government-controlled railroad system. This notice provides for the institution of a tank car safe transportation licensing system for the railroad sector. The liquified gas railroad tank car (or tank) transportation examination and license issuance fee is 30 yuan per license.

20 April. The State Commodity Prices Administration and the Ministry of Finance jointly issued "Notice on



the Issuance of Environmental Protection System Administrative Fee Particulars and Standards."

20 April. The State Commodity Prices Administration and the Ministry of Finance jointly issued a "Circular on the Mapping System's Administrative Fee Particulars and Standards."

21 April. The State Commodity Prices Administration and the Ministry of Finance jointly issued "Circular Notice on the Issuance of Administrative Fee Particulars and Standards in the Central Government-Controlled Water Conservancy System."

21 April. The State Commodity Prices Administration and the Ministry of Finance revised administrative fees in the "Central Government-Controlled Cultural System," prescribing that Ministry of Culture Audio and Video control agencies inspect imported audio and video products and possibly collect an inspection fee. Units in charge of cultural affairs may collect a handling fee amounting to 5 percent of the receipts of touring theatrical troupes outside plan.

22 April. JINGJI RIBAO reported that when State Council Premier Li Peng met with delegates to the International Workshop on Economic Mechanism Changes, he said that the key to changing the economic mechanism and reforming the economic system lies in straightening out the relative prices of goods and services for the formation of a rational price mechanism.

23 April. The State Commodity Prices Administration and the Ministry of Finance revised administrative fees charged by the tobacco monopoly system, prescribing fee particulars and standards.

23 April. The State Commodity Prices Administration and the Ministry of Finance jointly issued "Notice on the Issuance of Ministry of Energy Administrative Fee Particulars and Standards."

23 April. The State Commodity Prices Administration and the Ministry of Finance jointly issued "Notice on the Issuance of Administrative Fee Particulars and Standards for the Central Government-Controlled Foreign Exchange System," which prescribes that national foreign exchange control units may promulgate the handling fees to be collected for foreign exchange documents.

24 April. The State Commodity Prices Administration and the Ministry of Communications jointly issued "Notice on Readjustment of the Freight Transportation Prices of Ministry of Communications Directly Controlled Water Transportation Enterprises." This circular notice says that subject to State Council Approval, water freight transportation rates of water transportation enterprises under direct jurisdiction of the Ministry of Communications may be raised by an average 26 percent. Freight transportation rates for all shipping zones are to increase between 18.5 and 32 percent.

25 April. RENMIN RIBAO reported the State Council's approval of housing reform plans for seven provinces

and cities, namely Shanghai, Tianjin, Henan, Shaanxi, Jiangsu, Liaoning, and Zhejiang, which include mostly a rise in public housing rents, active sale of public housing, support for the pooling of funds for the cooperative building of housing, institution of a new system for new housing, promotion of a public accumulation fund system, and the setting up of housing funds everywhere.

28 April. JINGJI RIBAO reported that at the Agricultural Experts and Scholars Workshop, Deputy Premier Tian Jiyun [3944 4764 0061] said that China's agriculture must take another step upward during the 1990's, first through the continuation and intensification of reform and the full implementation of a series of the party's basic rural policies for vigorous development of township and town enterprises and tertiary industries to bring about the commercialization of farm products that makes farming responsive to the marketplace. The production of farm products must be oriented toward the commodity economy, state plan allocations and transfers giving way to markets for a genuine decontrol and invigoration of commodity circulation.

28 April. The State Commodity Prices Administration and the Ministry of Finance issued "Notice on the Issuance of Administrative Fee Particulars and Standards for the Radio Broadcasting, Cinema, and Television System Under Direct Central Government Control," which provides that radio broadcasting and television sound and video regulatory agencies inspect imported audio and video products, collecting a few of 200 yuan per video film, and 150 yuan per sound tape cassette.

## May

2 May. RENMIN RIBAO reported the remarks of Deputy Minister of Commerce Zhang Shiyao at a Collective Commercial Work Conference for participants in the Ministry of Commerce system as follows: Need to reform business methods as part of the reform of the enterprise operating mechanism. All commodities for which market demand and conditions exist may be bought and sold. The state-prescribed price is to be enforced whenever such a price exists; otherwise, the enterprise may set a price itself.

29 May. RENMIN RIBAO reported that at the All-China Summer Grain and Edible Oil Reserves Conference, Deputy Minister of Commerce Bai Meiqing [4101 5019 3237] proposed maintenance of the policy of setting prices on the basis of quality, a premium price paid for premium quality, and a poor price paid for poor quality. After fulfilling their fixed procurement quotas, all jurisdictions must actively purchase negotiated price grain, the price depending on market conditions. Policy for the procurement of rape seed is to remain as is during 1992. Grain and edible oil procurement at negotiated prices is to be done actively, the price paid depending on market conditions.

## June

1 June. RENMIN RIBAO reported that Xu Zongren [6079 1350 0088], deputy director of the State Grain Reserves Administration, announced that state procurement of reserve grain is to be changed gradually to market procurement. Reserve grain procurement methods are to be improved. When much grain is available and the market price is low, somewhat more is to be purchased. When little grain is available and the market price is high, some grain is to be sold. In addition, reserve procurement is to be done through wholesale markets. The procurement price of reserve wheat during 1992 is to be substantially at last year's level; however, the price spread for different quality is to be widened somewhat.

12 June. JINGJI RIBAO reported that the State Council Housing System Reform Team convened a conference calling for all jurisdictions to act on the principle of a rational sharing of burdens among the state, work units, and individuals in setting an appropriate rate of rent increase, resolutely correcting the mistaken method of everyone competing to lower rents. The important policy to be pursued now is purchase of housing at a standard price and the holding of some property rights. Where this key reform task of increasing rents is inadvisable, housing should be sold at low preferential prices in isolated cases.

23 June. The State Commodity Prices Administration issued a document raising the ex-factory median price and the degree of fluctuation allowed for Liberation and East Wind motor vehicles produced within plan, the median price of the East Wind EQ140-1 being 34,000 yuan per vehicle, and the median price for the East Wind EQF401-1 being 36,000 yuan per vehicle. Enterprises may change the median price on the basis of market supply and demand, a 15 percent upward or downward fluctuation in the price permitted.

23 June. JINGJI RIBAO reported no substantial change in cotton procurement policy for 1992, i.e., the contract fixed procurement system is to be continued, supply and marketing cooperatives being solely responsible for procurement, and the procurement price being maintained at the 1991 level. The allocation and transfer contracting method is to be followed with no decontrol of the market. Concessionary policies that jurisdictions inaugurate themselves for the purpose of encouraging cotton production may only provide for materials in kind in the production process, which are not to be entered into accountings at procurement and supply prices.

30 June. JINGJI RIBAO reported the CPC Committee and State Council issuance of "Decisions on Accelerated Development of Tertiary Industries." This decision discussed problems in abiding by the laws of value, in reform of the price system, and the longstanding inadequate compensation of value in tertiary industries. Except for a small number price and fee standards that have to be set by the state, most tertiary industry prices

and fees for services should be decontrolled, floating prices, and negotiated prices or self-determined prices being used in certain situations for the formation of equitable comparative prices.

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## [Text] July

3 July. The State Commodity Prices Administration issued "Notice on the Decontrol of Some Chemical Industry Commodities" prescribing the decontrol of prices on 40 chemicals including sodium hydroxide. Departments in charge at all levels may not intervene or interfere with enterprises' authority to set prices. Industry price monopoly is prohibited.

3 July. The State Commodity Prices Administration issued a document decontrolling state uniformly controlled glass prices, the producing enterprises themselves setting prices on the basis of market supply and demand. The kinds of glass covered by the decontrol are as follows: ordinary plate glass, flotation method plate glass, dual roller plate glass, dual roller method grade glass, and flat tempered glass. After decontrol, departments in charge at all levels may not intervene or interfere with enterprises' right to set prices. Industry price monopoly are forbidden.

3 July. The State Building Materials Industry Bureau and the State Commodity Prices Administration issued a document widening to 25 percent from 5 percent the degree of fluctuation permitted in cement enterprises' ex-factory prices of state uniformly controlled cement. Enterprises have the authority to set the ex-factory prices of specific kinds and grades of cement within the specified limits. The 5 percent seasonal differential and the slack season limits formerly set for cement in northeast China have been cancelled, a uniform fluctuation limit revived instead.

3 July. The State Commodity Prices Administration issued "Notice on the Abolition of the Nationally Uniform Ex-Factory Price for Category I Processed Steel," prescribing a change to category II prices for state uniformly allocated processed steel produced by China's eight large iron and steel enterprises: Anshan Steel, Benxi Steel, Wuhan Steel, Capital Steel, Maanshan Steel, Baotou Steel, and Taiyuan Steel. It also included fish bars, vehicle wheels, tires, crane rails, special-shaped steel, and dianban [1067 2647] in category II processed steel prices.

4 July. The State Commodity Prices Administration's "Notice on the Use of State Guidance Prices for Coking Coal and Pig Iron" prescribed a raise from 270 to 310 yuan per ton in the ex-factory price of coking coal. Production concerns could also set prices within 5 percent up or down from the prescribed price. The ex-factory price of smelted steel pig iron increases from 610 to 660 yuan per ton; and the ex-factory price of cast pig

iron increases from 650 to 700 yuan per ton. Production enterprises may set prices within 10 percent up or down from the prescribed price.

4 July. The State Commodity Prices Administration issued "Notice on the Readjustment of Steel Billet Prices," steel billet prices rising from 950 to 1,200 yuan per ton.

4 July. The State Commodity Prices Administration issued "Notice on Reform of Special Steel Enterprise Product Prices," which decontrolled prices on three categories of processed steel: premium quality carbon steel, carbon tool steel, and alloy tool steel, the enterprises themselves setting prices. The uniform state ex-factory price continued to apply to seamless tube billets.

Separate plan and nonplan prices for five categories of processed steel have been merged into a single price. The five categories are alloy structural steel, spring steel, bearing steel, high speed tool steel, and stainless steel, and the merged price has become the state guidance price. Production concerns may vary the price up or down within 15 percent of the guidance price.

4 July. The State Commodity Prices Administration issued "Notice on the Merging of Separate Plan and Nonplan Prices of Soda Ash and Caustic Soda, and Institution of a State Guidance Price," which said that the state-prescribed ex-factory price of soda ash and caustic soda is to be the merged price, which is also to serve as the median price. Production enterprises may themselves vary the price up or down within 10 percent of the guidance price. The maximum ceiling price for nonplan soda ash and caustic soda has been abolished.

6 July. The State Commodity Prices Administration issued "Notice on Increasing the Ex-Factory Price of Copper and Zinc Products Covered by Plan," which provides that the ex-factory price of electrolytic copper is to be increased from 10,200 to 13,000 yuan per ton, and the price of crude copper is to increase from 8,880 yuan to 11,750 yuan per ton. The price of beneficiated copper ore is to increase from 7,560 to 9,870 yuan per ton. The ex-factory price of zinc ingots is to increase from 4,950 to 6,400 yuan per ton; and the price of beneficiated zinc ore is to increase from 2,380 to 3,600 yuan per ton. Prices of processed copper have been decontrolled, the enterprises themselves setting prices.

11 July. JINGJI RIBAO reported that State Economic System Restructuring Commission secretary Wang Shiyuan [3769 0099 0337] told Chinese and foreign correspondents that during the first half of 1992 China has made new progress in reform and opening to the outside world. He said that after publication of a series of important remarks of Deng Xiaoping, the pace of reform quickened, and the opening to the outside world widened further. In discussing the important steps taken in price reform and development of a market system, he said that the most important action taken was readjustment of

grain procurement and sale prices, making the procurement and sale price the same. In 228 counties in 13 provinces, grain prices have been completely decontrolled. Following greater decontrol of commodity retail prices in many provinces and municipalities, the prices of more than two-thirds of commodities are market regulated.

13 July. In a written reply to the Petrochemical Corporation, the State Commodity Prices Administration agreed to an appropriate rise in the price from 2,400 yuan to 3,600 yuan per ton for high pressure polyethylene injected plastic used for purposes other than as a nonagricultural mulch produced by the Yanshan Petrochemical Corporation.

17 July. RENMIN RIBAO reported that State Council spokesman Yuan Mu [5913 2606] said in a briefing to Chinese and foreign correspondents on China's economic situation during the first half of the year that the tempo of reform has markedly increased thanks to the guidance provided by the important remarks of Comrade Deng Xiaoping during his travels in south China. A uniform grain procurement and marketing price has been instituted, and prices of some means of production and railroad transportation have been adjusted. The overall level of commodity prices is stable, retail prices during the first half of the year rising by approximately 5 percent.

18 July. The Ministry of Metallurgy Industry and the State Commodity Prices Administration jointly issued "Notice on Further Rationalization of Iron Ore Prices," which provides for appropriate readjustment of the ex-factory price of iron ore, the price of beneficiated ore increasing from 115 to 135 yuan per ton.

20 July. The State Commodity Prices Administration, the State Education Commission, the Ministry of Construction, and the State Cultural Relics Bureau jointly issued "Notice on the Purchase of Tickets to Scenic Sites by Foreign Students in China," which provides a common fee standard for the purchase of sightseeing tickets for both students coming to China on Chinese scholarships and Chinese students.

21 July. RENMIN RIBAO reported that State Statistical Bureau spokesman Zhang Zhongji [4545 6988 1015] said at a Chinese and foreign correspondents reception that the current rise in commodity prices results primarily from policy price adjustments and costs. This differs essentially from the demand for commodities that was greater than supply during the period of overheating of the economy in which spontaneous price increases accounted for most of the rise in prices.

22 July. RENMIN RIBAO reported that Premier Li Peng said at a State Council plenary session that prices remained stable during the market boom in China during the first half of the year. Total commodity retail sales increased 14 percent over the same period in 1991, but the national retail price index rose 5 percent over the same period in 1991. The economy has grown fairly rapidly, but total social supply and total social demand have remained largely in balance. The international

balance of payments situation is fine; the overall price levels has been held within original plan; and national macroeconomic regulation and control is still in a fairly dominant position.

25 July. JINGJI RIBAO reported that the State Council published "Regulations on Changes in the Operating Mechanism of Manufacturing Enterprises Under Ownership of the Whole People," which provide, inter alia, that enterprises are to enjoy the right to set prices for products and labor services. Prices of industrial wares used in daily life that enterprises produce are to be set by the enterprises themselves, except for individual products for which State Council pricing units and provincial government commodity pricing units control prices. Enterprises are themselves to set prices for the means of production that they produce, except for a small number of products on the price and division of labor control list promulgated by State Council price units and provincial government commodity price units. Enterprises themselves are to set prices for the processing, repair, and technical cooperation labor services that they provide. Where the law otherwise prescribes the setting of prices for products and labor services, such provisions apply.

30 July. The State Commodity Prices Administration issued "Circular Regulation on the Promulgation of the Agricultural Product Catalogue (1992 issue) on State Commodity Prices Administration and Pertinent National Department Control of Prices." The catalogue lists six items including grain, cotton, tobacco, and tea, for which the State Commodity Prices Administration and pertinent national departments set the plan procurement and marketing prices, and three items, including Chinese herbal medicines, for which the state issues guidance prices.

#### August

1 August. JINGJI RIBAO reported that Tian Jiyun said at the All-China Conference for the Exchange of Experiences on the Development of High Yield, Premium Quality, and High Return Agriculture that reform of the farm product procurement and marketing system, with the planned, step-by-step decontrol of farm product prices has accelerated the fundamental need for the development of high yield, premium quality, high return agriculture.

4 August. The State Commodity Prices Administration and the Ministry of Finance revised the Press and Publication Administration's administrative fees, setting a fee of 20 yuan for newspaper and magazine registration and a 10 yuan fee for temporary newspaper and magazine registration. It also set fee standards for the issuance of correspondents' credentials and for copyright proxy service fees.

4 August. The State Commodity Prices Administration and the Ministry of Finance jointly issued "Notice on the Issuance of Administrative Fee Particulars and Standards for the Central Government-Controlled Economic Relations and Trade System."

4 August. The State Commodity Prices Administration and the Ministry of Finance jointly revised earthquake safety evaluation fee particulars and standards.

5 August. In a written reply to the Ministry of Machine Building and Electronics, the State Commodity Prices Administration agreed to adjust the ex-factory price of some petroleum drilling equipment.

8 August. JINGJI RIBAO reported that the Ministry of Commerce has issued a circular notice on views about decontrol of commodities, enterprises setting prices. This circular notice clarified commodities for which prices are to be decontrolled, operating enterprises themselves setting or readjusting prices without the past limitations of pertinent rulings by administrative departments.

11 August. RENMIN RIBAO reported that State Council Deputy Premier Zhu Rongji [2612 6954 1015] announced at a national conference on cotton work that the State Council has decided that so long as 1992 cotton procurement and marketing policies remain stable, all cotton-producing provinces (or autonomous regions) may themselves make decisions about cotton not included in state fixed contract procurement and reserve plans in the trial reform of the procurement and marketing system.

Zhu Rongji said that the state had ruled that 95 percent of gross output in 1992 was to be purchased and marketed by supply and marketing cooperatives in accordance with existing fixed contract procurement policy, both the procurement price and award sale policy remaining unchanged. Cotton producing provinces (and autonomous regions) are themselves to decide whether some markets are to be suitably decontrolled for cotton not included in state fixed contract procurement and reserve plans. The entry into markets of cotton not included in fixed procurement must be done in a planned and controlled way. Markets must set a floor price, and when the market price is lower than the floor price, the government is to buy reserves at the floor price.

11 August. RENMIN RIBAO reported that the State Council Office has issued a circular notice requiring better supervision and control of the fees that peasants must pay and the labor services they must provide. The circular notice said that the central government and all provincial departments and units must be in compliance with the provisions of "Peasant Imposts and Labor Control Regulations" of 1991 regarding fees, fines, and fund raising relating to the peasants, and a report must also be filed with the treasury at the same level, as well as with the unit responsible for supervising and controlling peasant imposts, a document to be issued following their joint examination and approval. The listing of fees collected, the raising of funds, and fines may not be used as criteria for evaluating the political achievements of township and rural cadres, nor may they be linked to the economic benefits that any unit or individual receives.

13 August. The State Commodity Prices Administration and the Ministry of Finance sent a joint reply in writing to the Ministry of Public Security in which they agreed to the readjustment of the fee for a new personal passport to 100 yuan per passport.

17 August. JINGJI RIBAO reported that the State Council approved the Zaozhuang Mining Bureau in Shandong, and the Xuzhou Mining Bureau in Jiangsu to be the first in the country to decontrol operations effective 1 July 1992. Enterprises that are directly regulated by the market become independent operating entities responsible for their own operations, for their own profits and losses, for their own development, and for imposing limits on themselves, setting prices according to the market.

18 August. The State Commodity Prices Administration issued "Notice on Readjustment of Sugar Crop and Price Policies," which provides that the method whereby the state sets the procurement price of sugar crops is to be changed to the state issuing guidance prices, a certain latitude for fluctuation permitted. Control over the ex-refinery price, the allocation and transfer price, and the wholesale price of sugar is to be changed from a state guidance price system to a market regulation price system.

19 August. RENMIN RIBAO reported that the state tobacco monopoly bureau directors and managers from all over the country advanced the guiding thought for the intensification of cigarette price reform as follows: So long as no adverse effect but rather an increase in state tax revenues can be assured, the ex-factory price and the transfer and allocation price should be decontrolled, enterprises themselves gradually setting the ex-factory price, the transfer and allocation price, the wholesale price, and the retail price as the market situation warrants.

20 August. The State Commodity Prices Administration and the Ministry of Finance jointly issued "Notice on the Levying of a Fee for the Dumping of Refuse at Sea and a Fee for the Discharge of Pollutants in Excess of Standards During Marine Petroleum Prospecting and Development."

23 August. RENMIN RIBAO reported that following State Commodity Prices Administration approval, the railroad sector will increase ticket prices for seven new model fully air-conditioned passenger cars. The price will be 50 percent higher than the prevailing ticket price. However, foreign traveler ticket prices (except on the Guangzhou-Shenzhen line), as well as baggage and package shipping charges, as well as government mail charges will not be increased for the time being. The increase in first class ticket prices for travel agency-organized foreign tourist groups is to take effect 1 January 1993.

25 August. JINGJI RIBAO reported State Restructuring of the Economic System Commission Deputy Director Hong Hu's [3163 5706] explanation of "Regulations on Changing the Operating Mechanism in Industrial Enterprises Under Ownership of the Whole People." The

regulations stipulate the following regarding the rights of enterprises to set prices of products and labor services: First is a narrowing of the purview of the state in setting prices directly. Second, promulgation of the price and division of labor control list determines the prices of means of production that the state is to set. The adoption of these procedures aims at making price controls open and legal. The regulations also stipulate that in cases where the existing law contains exceptions to the right to set prices for products and labor services under special price setting authority provisions, such as provisions in the "Railroad Code" on the setting of prices of railroad transportation, in the "Postal Code" and in the "Tobacco Monopoly Code," the existing law is to continue to be enforced.

25 August. The State Commodity Prices Administration issued a document abolishing the nationally uniform maximum ex-factory price or ceiling retail price for means of production outside plan, including crude oil, refined oil, processed steel, pig iron, copper, aluminum, zinc, tin, nickel, soda ash, and caustic soda.

28 August. JINGJI RIBAO reported the decision of the State Administration of Taxation to reduce the uniform industrial and commercial tax on various electronic products produced by enterprises in which foreign businessmen have invested. The tax rate following the reduction is to be: 6 percent for electronic clocks and watches, 5 percent for television sets, 5 percent for kinescopes, 5 percent for electric refrigerators, 6 percent for air conditioners, 5 percent for electronic computers, 10 percent for video recorders, and 5 percent for vacuum cleaners.

29 August. The State Commodity Prices Administration issued "Notice on Publication of Catalogue of Heavy Industrial Commodities and Transportation Whose Prices Are Controlled by the State Commodity Prices Administration and National Departments Concerned (1992 Edition)." Twenty-two of the former central government category I controlled price commodities were delegated to the control of commodity price bureaus in provinces, autonomous regions, and directly administered municipalities; 571 were relinquished to enterprises for the setting of prices, and 89 remained as central government category I controlled prices following amendment.

#### September

1 September. RENMIN RIBAO reported the State Council's issuance of a major inspection of tax collections, public finance, and commodity prices in 1992. This inspection will focus mostly on violations of financial and economic laws and discipline during 1992, as well as on violations of financial and economic laws and discipline uncovered at the end of 1991 that have not yet been corrected. If necessary, previous years may be investigated too. Units in which no violations of financial and economic laws and discipline were discovered

during major checks during the past two years will be exempted from major inspections in 1992.

11 September. The State Commodity Prices Administration issued a circular notice providing preferential prices for aluminum ingots and aluminum materials used for military ordnance.

14 September. The State Environmental Protection Bureau, the State Commodity Prices Administration, the Ministry of Finance, and the State Council Economic Relations and Trade Office jointly issued a circular notice on environmental protection fee collection pilot project work and pilot project plans. 1. This notice designated Guizhou and Guangdong provinces, Chongqing, Yibin, Nanning, Guilin, Liuzhou, Yichang, Qingdao, Hangzhou, and Changsha as pilot project areas. 2. Fees collected for sulfur dioxide effluent from industrial coal burning are to be figured on the basis of either the total amount of sulfur dioxide effluent result from the burning of coal or the sulfur content of the amount of coal burned. In general, the charge is not to exceed 0.20 yuan per kilogram of sulfur dioxide discharged. Specific fee standards and coverage are to be set by provincial commodity prices units in conjunction with government finance, environmental protection, economic committees (planning and economic committees, and production committees) on the basis of local circumstances, reports being filed for purposes of the record with the State Commodity Prices Administration, the Ministry of Finance, the State Environmental Protection Bureau, and the State Council Economic Relations and Trade Office. 3. The collection of fees, control and use of fees collected for the discharge of pollutants is to be according to existing control procedures for the collection of fees for the discharge of pollutants. The percent of fees used to help seriously polluting units clean up sources of sulfur dioxide pollutants may be increased to 90 percent.

15 September. The Posts and Telecommunications Administration issued "Notice on the Formulation of Guidance Fee Standards for Municipal Telephone Trunk Lines Used for Portable Communications," which provides a monthly fee of no less than 3,000 yuan per trunk line that has a continuous selection function. For trunk lines lacking a continuous selection function, the fee is to be no less than 2,000 yuan.

17 September. The State Commodity Prices Administration and the Ministry of Finance jointly published "Notice on the Publication of Agricultural System Administrative Fee Particulars and Standards," which revises administrative fees collected in the agricultural system that is under central government control.

23 September. The State Commodity Prices Administration issued "Circular Notice on the Implementation of State Council Circular Notice on Raising the Price of Chemical Fertilizer and of Natural Gas Used in Making Chemical Fertilizer." This rise in the ex-factory price of chemical fertilizer applies to the urea produced within

plan by the 15 large chemical fertilizer enterprises that produce the chemical fertilizer that the state allocates at parity price, the ammonium nitrate within plan that the Jilin Chemical Industry Corporation produces, and imported urea within central government plan.

25 September. The State Commodity Prices Administration, and the Ministry of Metallurgical Industry jointly issued "Notice on Merger of the Inside Plan and Outside Plan Prices of Crane Rails, Fish Bars, and Dianban [1067 2647]."

28 September. RENMIN RIBAO reported the formal issuance of the recently amended *Catalogue of Agricultural Product Prices Controlled by the State Commodity Prices Administration and Associated National Departments (1992 Issue)*. Prices of nine agricultural products are controlled by the State Commodity Prices Administration and associated national departments in addition to prices of fats and oils and sugar crops, the form and control authority for which awaits further clarification. The state fixes the price of six of the nine, namely grain, cotton, tobacco, mulberry silkworm cocoons, brick tea, and state-allocated timber, which are purchased and marketed under plan. State guidance prices apply to three, namely to some Chinese medicinal herbs, sheep's wool, and rosin (pine resin). For an overwhelming majority of farm products, procurement and market prices have been resolutely decontrolled, leaving them to market regulation. Commodity pricing units at all levels and vocational units in charge are to act under direction of local governments in setting up and perfecting a reserve system for important commodities, and a price regulation fund system. When necessary, they are to request the approval of the State Commodity Prices Administration or of provincial, autonomous region, and directly administered municipality commodity pricing units. They may draw up temporary price limits for a small number of farm product prices that are decontrolled, prescribe methods for setting prices, differential price rates, and profit rates.

29 September. JINGJI RIBAO reported that the Ministry of Health proposed that medical care units may provide special services so long as they continue to supply basic services, such special services to include outpatient care, high quality patient rooms, house visits, and plastic surgery, the fees for such services to fluctuate with demand.

#### October

5 October. The State Commodity Prices Administration, and the Ministry of Posts and Telecommunications jointly issued "Notice on Municipal Telephone Charges." The notice said that for areas in which charges remain overly low, consideration may be given to increasing the state-prescribed guidance fee standards and municipal telephone construction costs.

9 October. RENMIN RIBAO reported that "State Council Decisions on the Development of High Yield, Premium Quality, and High Return Agriculture" said

that positive actions must be taken to set the stage for gradual decontrol of farm products that have not yet been decontrolled, thereby directly linking the production of farm products to market demand to make high yield, premium quality, high return agriculture develop more rapidly. The decisions also said that advantage must be taken of existing opportunities to accelerate reform of the grain procurement and marketing system, moving it further in the direction of the commercialization of grain and the buying and selling of it through markets. In addition, actions must be taken to protect grain production so as to stabilize grain markets. (1) Close attention should be given to the building of a market system in which wholesale markets are paramount, to the resolute elimination of local blockading, and to the founding of multi-channel, multiple form, multiple level, and multiple economic component grain circulation systems. (2) Powerful macroeconomic regulation and control mechanisms should be built. Except in major cash crop, timber, livestock, and fish producing areas, an agricultural tax payable in grain should be levied. More should be done to perfect the central government and local government multi-tier grain reserve system, grain supplied or withheld from markets to regulate and even out market grain prices. Money should be raised from every quarter with support from public finance for the founding of central government and local government multi-tier grain risk funds. The market forecasting system and information service networks should be perfected to guide the establishment of relatively stable large-volume trade agreements between production and marketing areas. Support should be given to a change in the orientation of grain departments, their operations being run like an enterprise, engaging in diversification, principally grain processing, and continuing to serve as the primary channel for grain circulation. The internal and external grain trade should be linked together, the better to use import and export adjustment methods. (3) More should be done to strengthen major commodity grain producing areas to nurture copious sources of grain. Investment in the capital construction of agriculture and capital for the comprehensive development of agriculture should be appropriately increased to enhance the building of the production and commodity circulation infrastructure. More credit should be granted to support the development of farm product processing industries, and town and township enterprises. Support should be provided in the form of superior breeds and technology to hasten development of the aquatic products breeding industry. Provinces should be given a certain amount of authority regarding the shipment of grain out of the province, in addition to which they should be made a part of macroeconomic regulation and control plans, and accept guidance on prices. In areas in which grain prices have not yet been decontrolled, consideration should be given to using the market price for the grain that the state procures allowing a price differential for different varieties and different grades, getting a premium price for

premium quality. For other farm products that have yet to be controlled, a premium price for premium quality may likewise be instituted.

9 October. The State Commodity Prices Administration, the Ministry of Construction, and the National Tourism Administration jointly issued "Notice on Problems Related to the Readjustment of Class A Ticket Prices for Special Sightseeing Sites." The notice decided to readjust the price of class A tickets to 15 State Commodity Prices Administration-named sites.

15 October. In a written reply to the Weapons Industry Corporation, the State Commodity Prices Administration decided to change the ex-factory price of TNT for civilian use from 4,500 yuan to 5,300 yuan per ton. The right to set prices for heisuojin [7815 4792 6855] for civilian use has already been delegated to enterprises, the enterprises themselves setting prices.

21 October. RENMIN RIBAO reported that Comrade Jiang Zemin said in his report to the 14th Party Congress that the goals set for reform of China's economic system are of major importance to overall socialist modernization. The nub of this issue is correct understanding and handling of the correlation between a planned economy and a market economy. At the beginning of the year, Comrade Deng Xiaoping said that a planned economy is not the same thing as socialism; capitalism also has plans. Nor is a market economy the same thing as capitalism; socialism also has markets. Plans and markets are economic methods. A little more plan or a little more market is not the substantive difference between socialism and capitalism. This brilliant exposition substantially removes the ideological shackles of regarding a planned economy and a market economy as belonging in basic social system categories. It enables us to break new ground in our understanding of the correlation between plan and market. The goal of China's economic system reform is to build a socialist market economic system that can be used for further emancipation and development of productivity.

The socialist market economic system that we want to build will enable the market to play a fundamental role in the allocation of resources under socialist national macroeconomic regulation and control so that economic activity can abide by the requirements of the laws of value in response to changes in supply and demand. Price levers and the competition mechanism will function to allocate resources to the places where the returns are better, and they will put pressure on and give impetus to enterprises for a survival of the fittest. Use of the market's advantage in being able to respond fairly sensitively to various economic signals can promote the timely coordination of production and demand. At the same time, however, it must be realized that the market has its own weaknesses and negative aspects. State overall regulation and control of the economy must be enhanced.

Comrade Jiang Zemin also said that price reform is the key to the development of markets and reform of the



economic system. The pace of reform should be quickened within the limits that all concerned can stand, active efforts made to bring prices of different things into line with each other, and a beginning made in building a price mechanism in which mostly the market shapes prices. Close attention must be given to reform of farm product prices and the rural commodity circulation system, the regulatory role of markets in the rural economy continuing to be strengthened.

26 October. RENMIN RIBAO reported that Deputy Minister of Commerce Zhang Shiyao said at a nationwide conference for the exchange of experiences in reform of food enterprises that reforms in support of a market orientation have been a basic experience in prosperity and vitality of China's livestock and poultry commodity markets. Reform of China's livestock and poultry procurement and marketing system and price system may be divided into three stages as follows: The first stage ran from 1979 through 1984 during which the state increased the procurement and market prices of eight different agricultural and sideline products including meat and eggs, and also partially decontrolled beef, sheep, poultry, and egg markets and prices, permitting the peasants to market them for the development of diverse commodity circulation channels. The second stage ran from 1985 through 1990 when the state reformed the live hog assigned procurement system, instituting guided negotiated price procurement and negotiated price marketing. Simultaneous with a further increase in the live hog procurement and marketing prices came the gradual promotion of free markets and free trading, prices tracking the market and prices being negotiated on the basis of quality. In addition, hidden subsidies gave way to open subsidies of major nonstaple foods. The third stage ran from 1991 to the present. Today, except for a small number of large cities, an overwhelming majority of provinces, autonomous regions, directly administered cities, and municipalities listed under plan have decontrolled pork sale prices once after another for an acceleration of the building of the market system. All jurisdictions have made marked advances in decontrolling prices, fostering markets, enlivening enterprises, and in enhancing macroeconomic regulation and control.

31 October. The State Commodity Prices Administration has given notice that effective 15 November 1992, the ex-factory price of BJ2020N series jeeps within plan will be raised. 1. The median ex-factory price of a Model BJ2020N will increase from the present 25,500 yuan to 28,000 yuan per vehicle; the median ex-factory price of a Model BJ2020NJ jeep will increase from 23,000 to 25,000 yuan; and the median ex-factory price of a model BJ2020N low chassis vehicle will increase from 18,000 to 20,000 yuan. 2. The enterprise may adjust the media ex-factory price by no more than 15 percent up or down as the market supply and demand situation warrants to set a concrete ex-factory price. 3. The ex-factory price of the BJ2020NA and the BJ2020NAJ modified jeeps is to be set by the producing enterprises on the basis of a

reasonable price ratio, the State Commodity Prices Administration being notified for the record.

#### November

3 November. RENMIN RIBAO reported that Deputy Minister of Commerce Bai Meiqing [4101 5019 3237] said the following a telephone conference that had been jointly convened by the Ministry of Commerce, the Ministry of Civil Affairs, and the State Grain Reserve Administration: In principle, grain will not be procured for grain reserves in the autumn of 1992. All jurisdictions must actively procure grain and edible oil at negotiated prices, prices tracking the market. In addition, they are to organize procurement through multiple channels. Peasants are welcome to take part in the commodity circulation field for further enlivening of commodity circulation.

5 November. RENMIN RIBAO reported that a workshop attended by directors of departments and bureaus of commerce throughout the country concluded that markets supplying industrial goods used in daily life have been largely decontrolled (there are no plan commodities); prices have been decontrolled (there are no goods whose prices the state controls), and enterprises have been decontrolled (operations, prices, how labor is employed, and distribution have been decontrolled).

5 November. JINGJI RIBAO reported that the Ministry of Posts and Telecommunications has decided to hasten reform of the postage stamp price system, entirely decontrolling the prices of commemorative and special stamps that are issued once each year, and no longer publishing a list of stamp prices beginning in 1992.

6 November. JINGJI RIBAO reported that experts in the Ministry of Materials noted that prices of major materials generally rose during 1991, and prices of some materials shot up fairly rapidly. Between January and September 1992, the sustained rise in prices of means of production reached 10.1 percent and the increase is getting bigger. Monitoring of the prices of 70 goods shows a rise in the price of 54 since the same month in 1991, prices rising by 77 percent. Products that have risen substantially in price include processed steel, non-ferrous metals, lumber, cement, coal, machinery and electronics, and motor vehicles.

12 November. JINGJI RIBAO reported that an authoritative source in the State Restructuring of the Economic System Commission said that the market mechanism is playing an increasing role as a catalyst in development of the national economy. Today, market regulation of the country's industrial economy has climbed to 84 percent, and guidance plans now account for only 16 percent of industrial output value. The number of state uniformly apportioned means of production have fallen to 19, and fewer than 30 percent of prices are set by the state.



13 November. RENMIN RIBAO reported that the Ministry of Communications has decided on a further cut in plan transportation and an increase in market-regulated transportation. It has also put in place a market organization and a market mechanism, has gradually decontrolled transportation prices, and will ultimately establish a transportation pricing mechanism in which the market sets prices for the most part.

17 November. JINGJI RIBAO reported that the Ministry of Commerce, the State Council Economic Relations and Trade Office, and the State Restructuring of the Economic System Commission have jointly published "Methods for Implementing Changes in the Operating Mechanism of Commercial Enterprises Under Ownership of the Whole People," which provides the following on enterprise pricing authority: Except for individual commodities for which State Council commodity pricing units and provincial government pricing units control prices, prices of commodities that enterprise produce are to be set by the enterprises themselves. No unit may use control methods such as gross profit rates, differential rates, or price limitations to restrict prices of commodities, food, beverages, and clothing that the state has already decontrolled.

19 November. RENMIN RIBAO reported that Tian Jiyuan said at the All-China Conference for the Exchange of Experiences on Accelerating the Development of Township and Town Enterprises in Southwestern China that a very serious situation exist in slack sales and the accumulation in inventory of farm products, and a fall in market prices of farm products. The peasants have increased yields without commensurate increase in income. Effective measures must be taken at once to solve this problem.

20 November. The State Commodity Prices Administration and the Ministry of Posts and Telecommunications jointly issued "Notice on Readjustment of Domestic Public Telegraph Charges." They have decided, effective 20 December 1992, to readjust domestic telegraph charges. 1. The basic charge per word is to be increased from 0.007 to 0.13 yuan. 2. Other principle public telegraph business charges are to be adjusted correspondingly with the readjustment of basic telegraph charges.

22 November. RENMIN RIBAO reported that the State Commodity Prices Administration has decided to delegate to enterprises pricing authority for a number of consumer goods including color television sets and washing powder. At the present time the prices of only nine light industrial commodities continue to be controlled by the State Commodity Prices Administration and associated national agencies. The nine include three consumer goods, namely salt, some herbal medicines, and the central government's "seven newspapers and one magazine" as well as teaching materials used in universities and technical secondary schools; and six light and textile industry raw materials including cigarette making materials, northern newspaper and wood pulp, some synthetic materials, filature silk, and some

gold and silver products, as well as associated fees and fee rates. Price setting authority for six industrial consumer goods, including color television sets, washing power, and white cotton cloth sold in markets; and for 26 different light and textile industry raw and processed materials has been delegated to enterprises.

23 November. JINGJI RIBAO reported that the state will not change cotton procurement and marketing policies for 1992. Fixed contract procurement cotton and national reserve cotton will continue to be centrally procured and centrally marketed by supply and marketing cooperatives in accordance with state-prescribed prices and policies. The state will continue to make award sales of parity price premium quality chemical fertilizer and diesel fuel to sellers of cotton in accordance with regulations. After fulfillment of their cotton procurement quotas and reserve quotas for the year, all jurisdictions (provinces, prefectures, or municipalities) may decontrol cotton markets. All provinces may set a floor price on the base of market demand.

24 November. The State Commodity Prices Administration and the Ministry of Finance jointly issued a document providing that alien visa fee standards are to be enforced in accordance with Ministry of Public Security "Notice on Readjustment of Alien Visa Fee Standards." Henceforth, the Ministry of Public Security is to be in charge of alien visa fee standards, fee standards set by the Ministry of Public Security on the basis of the international reciprocity principle, and they are to be set and changed as foreign exchange rates change. In addition, the State Commodity Prices Administration and the Ministry of Finance are to be kept informed as a matter of record.

24 November. JINGJI RIBAO reported State Council issuance of a circular notice on various problems in the development of the real estate business that called upon all jurisdictions to further intensify reform of the land use system. All jurisdictions are to set rational land prices to improve returns from the use of land. Government organized appraisal agencies are to set base prices for land on the basis of its location, the nature of intended use, density rate, differential return, and supply and demand in response to local economic development and macroeconomic regulation and control requirements. The land use rights transfer price is to be based on the base price of the land and is to reflect the state's real estate policy. As housing become more commercialized, land used for the building of housing in cities and towns is to be priced differently depending on whether it is commercial housing for foreigners, commercial housing, low cost housing or welfare housing.

#### December

1 December. In a written reply to the Ministry of Construction, the State Commodity Prices Administration and the Ministry of Finance agreed to the collection of fees for construction supervision certificates,

including a 35 yuan fee for a supervising engineer certificate, and an 18 yuan fee for a supervising unit certificate.

4 December. JINGJI RIBAO reported Ministry of Posts and Telecommunications issuance of a circular notice strictly prohibiting the arbitrary levying of fees for the use of communications equipment on networks.

4 December. In a written reply to the Ministry of Railways, the State Commodity Prices Administration agreed to adjustable ticket prices for passengers traveling inside Guangdong Province and into and out of Guangdong Province during the 1993 spring travel season, the price of a ticket increasing by an additional 30 yuan for different kinds of seats, and the class of the railroad car.

5 December. In a written reply to the Ministry of Justice, the State Commodity Prices Administration and the Ministry of Finance agreed to the collection of an 2,000 yuan application fee for the establishment in China of a foreign legal firm office, and the collection of an annual inspection fee of 10,000 yuan.

5 December. JINGJI RIBAO reported that the State Council General Administration of Customs is to lower the tariff rate on more than 3,000 taxable commodities effective 31 December 1992.

7 December. The State Commodity Prices Administration and the State Tobacco Monopoly Bureau issued "Notice on Decontrol of the Ex-Factory Price and the Transfer and Allocation Price of Cigarettes, and the Fixing of a Basic Ex-factory Price for Tax Purposes." In addition to decontrolling the ex-factory price and the transfer and allocation price of Chinese-made cigarettes, production and commercial enterprises themselves setting the prices, the circular notice provides for the setting of a basic ex-factory price for tax purposes to ensure revenues for the national treasury. The ex-factory cigarette base price for tax purposes is to be set by the State Commodity Prices Administration and the State Tobacco Monopoly Bureau in conjunction with the Ministry of Finance and the State Administration of Taxation. No jurisdiction, department, enterprise, or unit may change this base price on its own initiative without prior approval. Industrial enterprises may themselves set a price that is higher or lower than the ex-factory base price used for tax purposes.

9 December. JINGJI RIBAO reported that in reply to a question from a reporter for this newspaper about problems halting the contracting or the contracting under false pretenses of a tax on transactions, a person in charge at the State Administration of Taxation said that the tax on transactions is a tax collected as part of the sale price of a commodity. The contracting of a tax on transactions causes a very large amount of damage and must be resolutely halted.

10 December. RENMIN RIBAO reported that at the All-China Grain Work Conference, the Ministry of Commerce asked all jurisdictions to accelerate reform of the

grain circulation system, to actively and steadfastly decontrol both grain prices and the grain business, and to do more to foster and develop markets, gradually commercializing and transferring to markets all dealings in grain. More than 400 counties (or cities) nationwide have decontrolled grain prices. This is nearly 20 percent of all counties, and it affects more than 200 million people. As reform of grain and edible oil procurement and sale prices intensifies, grain subsidies will be greatly reduced. Subsidization of the difference between the procurement and the sale price of grain and edible oil for the period January through October was 13.84 billion yuan less than during the same period in 1991. Losses on negotiated price grain and edible oil also declined greatly between January and October, falling 1.1 billion yuan from the same period in 1991. A deputy minister of the Minister of Commerce, and State Grain Reserve Administration Director Bai Meiqing said that decontrol of grain prices does not mean the government is washing its hands of any further concern about grain prices, nor is it an abandonment of main channels for grain circulation. State grain procurement means mostly ensuring that a sufficient amount is obtained but not ensuring a procurement price, and the price tracking the market.

10 December. The State Commodity Prices Administration and the Ministry of Commerce published "Notice on Further Decontrol of Food and Beverage Trade Prices." The notice provides as follows: (1) Decontrol of prices in special class, first class, second class, and third class restaurants. Alternatively, the business association may organize industry-wide negotiated prices. Local-class regular inns may use either floating prices or market regulation prices. (2) Food and beverage business prices and service business fees are to be set by the business concerns themselves. When necessary, commodity price units may set reference prices. (3) National-class restaurants, may levy additional service fees for services they provide guests.

10 December. The State Commodity Price Administration and the State Assets Control Administration issued "Notice on Publication of Interim Procedures for State Assets Appraisal Fee Collection Control." The notice contains concrete provisions regarding appraisal qualifications and appraisal fee collection standards.

19 December. The General Administration of Civil Aviation of China and the State Commodity Prices Administration jointly decided a 10 percent increase in published ticket prices on domestic civil airline flights effective 1 January 1993, and that prices may fluctuate up or down another 10 percent. Baggage and cargo transportation prices are correspondingly adjusted.

21 December. The General Administration of Civil Aviation of China decided to increase 10 percent domestic airlines discounted ticket prices effective 1 January 1993. Ticket prices may fluctuate up and down

an additional maximum 10 percent as the market warrants. When the fluctuation exceeds 10 percent, Approval of the General Administration of Civil Aviation is required.

24 December. The State Commodity Prices Administration decided to decontrol some of the ex-factory prices of central government uniformly allocated coal effective 1 January 1993. (1) Central government centrally allocated coal from east China, northeast China, eastern Inner Mongolia, and Hunan is to be decontrolled (not including dressed coal used for the production of gas for home use). (2) Prices of government centrally allocated coal used to power thermal power plants and the metallurgy industry throughout the country, and of government centrally allocated coal sold for cash are to be completely decontrolled. Except for dressed coal from state-controlled coal mines and that is used as a raw material in the production of gas for home use for which the state will continue to set prices, all ex-factory prices are decontrolled. (3) The sale price of coal from local government-controlled breakers is to be set by individual provinces, directly administered municipalities, and autonomous regions.

25 December. The Ministry of Metallurgy Industry and the State Commodity Prices Administration jointly decided that effective 1 January 1993, unless otherwise stipulated, production enterprises are themselves to set prices of state centrally allocated processed steel. At the same time, prices of coking coal, pig iron, steel ingots, steel billets, ferroalloys, refractory materials, and carbon manufactures are to be decontrolled.

25 December. The Ministry of Metallurgy Industry and the State Commodity Prices Administration jointly decided to put into effect state guidance prices for processed steel used for national defense or military ordnance purposes, processed steel used in agriculture and for farmland water conservancy (including disaster relief), as well as processed steel used for railroads, which are currently covered by command plans.

28 December. RENMIN RIBAO reported the statements of CPC General Secretary Jiang Zemin at the Six Province Agriculture and Rural Work Panel Discussion. He said that development of a rural socialist market economy requires solution to farm and sideline product price policy problems. The overall thrust of farm and sideline product price, and commodity circulation system reforms should be to decontrol prices, decontrol operations, establishment of a mechanism whereby markets shape prices, straightening out of price relationships, expression of the role and requirements of the laws of value, and promoting both development of farm and sideline products and changes in the product mix to enable the market competition mechanism and the stimulus mechanism to play a role and function effectively. The development of a socialist market economy in rural villages, the decontrol of prices, and the decontrol of operations does not mean letting matters take their course or abnegating responsibility. Simultaneous with

the decontrol of prices and farm product markets, we must strive to establish a national macroeconomic regulation and control system.

30 December. RENMIN RIBAO reported that Premier Li Peng said in the course of nationwide telephone conference on agricultural work that the fixed grain procurement that has not yet been procured so far this year should be procured as quickly as possible at the stipulated quality and stipulated amount. On no account may procurement be limited nor may grain grades be lowered to reduce the price paid for it. Government must adopt policies in support of grain and cotton production. No matter that grain and cotton prices have been controlled in some areas, the State Council-stipulated "three link up" policy remains in force, specific methods employed suitably readjusted. Preparations are being made to convert to cash the price differential between the parity price and the negotiated price of chemical fertilizer and diesel fuel beginning in 1993, paying an added price for fixed procurement grain and cotton, the benefit going directly to the peasants. At the same time, Premier Li proposed the payment of a seasonal differential for the procurement of grain beginning with the new grain that goes to market in 1993, the price during the busy season for procurement being somewhat less and the price being correspondingly higher during the slack procurement season. This is for the purpose of easing the too great concentration of great procurement during a single period. Fixed procurement contracts must spell out clearly a fair price, and pre-procurement deposits must be paid to households early when the fixed procurement contract is made. A ceiling price is to be set for chemical fertilizer, agricultural pesticides, and plastic film used in agriculture to curb the uncontrolled rise in prices of the means of agricultural production.

31 December. The State Commodity Prices Administration, the Ministry of Finance, and MOFERT jointly issued "Notice on the Substitution of a Fixed Price for Commodities Imported Within the Central Government Foreign Exchange Plan," a fixed price paid for cotton, wood pulp, and washing power raw materials (alkylbenzene and nonionic surfactants) imported within central government foreign exchange plan, government financial subsidies abolished.

#### **Impact of Sichuan Price Reform on State Enterprises**

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[Article by Hu Anrong and Ma Yucheng: "Do a Good Job in Studying Price Issues Facing Large, Medium Enterprises"]

[Text] Recently we conducted an investigation and study on the price issue and ways to solve problems that face

large- and medium-sized enterprises in Sichuan Province; and reached the following preliminary understanding:

**Price Reform Promotes Development of Large-, Medium-sized Enterprises**

Since the Third Plenary Session of the 11th CPC Central Committee, Sichuan Province has scored major achievements in price reform under the leadership of the party committees and governments at all levels. Price reform has played a significant role in promoting the development of large- and medium-sized enterprises in the following aspects:

1. Lift price controls, and grant decision-making power to the overwhelming majority of enterprises. After implementation of price reform for more than 10 years, especially during the past several years, Sichuan Province, based on the guideline laid down by the provincial party committee and the provincial government on invigorating large- and medium-sized enterprises, have relaxed price controls on several occasions in the light of specific conditions in Sichuan. In 1991, it granted decision-making power to enterprises to determine the ex-factory price of 65 types of industrial products. In March 1992, it allowed the price of 15 types of commodities including the rolled steel produced by the Daxian Iron and Steel Mill to be market regulated. It also decontrolled and let the market regulate the price of those products manufactured by enterprises that were chosen to carry out experiments in transforming the management mechanism in Sichuan. The prices of these products were originally controlled by the price management departments at the provincial level or lower levels. (It was stipulated that changes of prices or service charges on all major products must be reported to price management departments for reference.) In the second half of 1992, it again let the province-controlled prices of 22 types of industrial products and of grain crops become market regulated. In the whole price system in Sichuan at present, the proportion of commodities with state-controlled price is relative small. Only about 13 percent of agricultural products are purchased at state-controlled prices. (About 0.01 percent of them were purchased at province-controlled prices). Approximately 30 percent of the producer goods are marketed at state-controlled prices. (About 8 percent of such goods are marketed at province-controlled prices.) Retail commodities with state-controlled prices accounts for 20 percent of all the retail commodities on the market. (Retail commodities with province-controlled prices make up about 6 percent).
2. Raise the relatively low prices for energy, transportation and raw materials, and ameliorate the contradiction created by the lower energy, transportation and raw material prices. A survey shows that during the past 13 years by the end of 1991, Sichuan's coal price rose by 200 percent, that of natural gas by 300 percent, that for electric power, rolled steel, railroad and highway freight by 160 percent, 210 percent, 47 percent and 57 percent

respectively. The purchasing price of farm produce was up by 150 percent. In 1992, to further remedy the contradiction created by the relatively lower prices for energy, transportation and basic raw materials, Sichuan once again saw an average increase of 0.08 yuan per cubic meter of natural gas, beginning 1 May. From 1 July, it increased railroad freight fees and the prices of coal and other products, notably bolstering the future development of the national economy. Let us take natural gas as an example. The state has increased the natural gas price several times. However, the production cost of natural gas also rose on a large scale, because it has become increasingly difficult to develop natural gas, and expenses for the use of electric power and equipment and wages rose in successive years. (That includes the chain reaction caused by price hikes in energy and raw material and wage increases.) In 1990, the production cost of natural gas was 73 percent higher than the price of natural gas. The more natural gas was produced, the more money the producer would lose. However, if the producer produced less, there would not be enough natural gas to meet the demand. Meanwhile, gas-consuming enterprises could not endure natural gas price increases. The Sichuan Provincial Administration of Petroleum had an actual deficit of 723 million yuan (including hidden deficit) in 1990. In 1991, it was short more than 400 million yuan in capital, and thus produced 600 million cubic meters of natural gas less than it originally planned. As a result, 25 percent of the facilities for the production of chemical fertilizer which used natural gas as raw material were left idle. In 1992 when the price of natural gas was increased in the province, the Sichuan Provincial Administration of Petroleum witnessed a revenue increase of 380 million yuan. This extra revenue offset most of the capital shortage even if gas-consuming enterprises' production cost was higher. Let us take coal as an example. The several price increases in the past cannot offset the rise in production cost. In 1991, the production cost of a ton of raw coal in a coal mine with unified coal distribution in the province was 28.75 yuan (69.6 yuan per ton) higher than the overall price (41.5 yuan per ton). The three province-controlled coal mines with unified coal distribution lost more than 300 million yuan each year. (They still lost 170 million yuan after revenues from price increases were factored in.) They might increase their revenues by 180 million yuan after increasing the coal price in 1992. The province stipulated that 20 percent of the price increase be used to develop capital construction, and the remaining 80 percent used to make up the deficit. This had basically solved the problem of offsetting the newly added expenditures of the coal mines and created conditions for their reproduction.

3. Improve price information service, and become good advisors to help enterprises make policy decisions on pricing. With the development of price reform, the information service for pricing has gradually become an industry. The information organs of various government price management departments, business establishments and mass, collective or individual organizations work

side by side. They exchange information among themselves, and provide industrial and commercial enterprises and all sectors of the society with indispensable information to help them make policy decisions on prices. With the assistance of the price information industry, the various price management departments are able to work out the principles, policies, laws and regulations on pricing and compare production costs. As of now, price information organs have been set up in 19 cities, prefectures and autonomous prefectures and more than 30 counties in Sichuan Province. They maintain regular ties with other information organs in fraternal provinces and cities throughout the country. Their price information is basically available to the great majority of enterprises in the province and welcome by a large number of enterprises. Such information has greatly helped enterprises make their policy decisions on prices.

Due to the development of price reform and the change in enterprise management mechanism, the situation in industrial production, particularly in large- and medium-sized enterprises, is becoming better and better in Sichuan. According to statistics compiled between January and November in 1992, the state-owned enterprises under the administration of local authorities in Sichuan, particularly large- and medium-sized ones, witnessed a growth rate of 11.75 percent in the total industrial output value (calculated on the basis of fixed price in 1990), 14.06 percent in the revenue from product sales, 13.73 percent in sales tax, 59.36 percent in profits (including payment for the use of state funds), 37.19 percent in profits to be retained for their own use (including some funds retained for use by the department in charge of the enterprise) and 6.06 percent in the total amount of wages as compared with the same period in 1991. According to a survey conducted between January and October 1992 over 150 large- and medium-sized major enterprises, these enterprises saw growth rates of 10.57 percent, 29.16 percent, 29.38 percent, 23.56 percent and 14.9 percent respectively in the total industrial output value, the revenue from product sales, the sales tax, the total amount of profit, and the total payroll compared with the same period in 1991.

#### Noteworthy Price Issues Facing Enterprises

However, Sichuan's large- and medium-sized enterprises are also faced with some noteworthy issues on pricing as follows:

##### 1. Rotating price increases restore price relations.

Since the convocation of the Third Plenary Session of the 11th CPC Central Committee, the state has increased prices of the aforementioned products to gradually solve the problem of comparatively lower prices in farm products, raw materials and freight fees. As a result, enterprises have attained certain developments in production. However, a phenomenon of the restoration of price relations emerges, because enterprises are unable to withstand the price increases in raw materials and fuel and are forced to increase their own prices on a rotation basis. This issue is more outstanding in various enterprises which produce energy and

manufacture raw and other materials and machinery equipment. For example, the price hike in coal will lead to price increase in electricity and power-generating equipment. (Seventy percent of China's electricity is generated by thermal power plants.) Therefore, the price increase on coal announced by the state is good in making up the deficit of the coal-producing enterprises only during the early stage of the price increase when the prices of relevant machinery and equipment have not yet been raised. Once the power industry and those machine-building enterprises which manufacture the equipment cannot withstand other price increases and decide to increase the prices of their own products, the price increase on coal is becoming less effective in making up the deficit of the coal-producing enterprises. If the prices of coal, electricity, natural gas and machinery equipment are raised at the same time, they are even less effective in making up the deficit, because such price hikes counteract each other. An estimate made by a relevant department shows that in the past seven and eight years, when the coal price is increased by one yuan, only about 50 to 60 percent of this price increase can be used to make up the deficit in production cost, of which about 30 to 40 percent can be used to offset the factors caused by rotating price increases, about 10 to 15 percent can be used to offset the retail price increases on the market which in turn push up the workers' living expenses. Very little can be used to repay old debts. The situation in price increases on natural gas and electricity is also similar. For example, the price of natural gas in Sichuan was raised in May 1992, the gas producing enterprises believed that the price increase was not enough and that it could not solve the problem in promoting future development. However, the gas-consuming enterprises said that they could not endure such price increase. In some prefectures and cities, the industrial profits for the entire year was offset by the price increase on natural gas. In face of this situation, the government and the enterprises often find themselves difficult to choose whether any price increase should be put into effect or not.

2. Speeding up the process of allocating productive forces often lead to sharp increases of the cost of energy and of raw and other material. The allocation of the productive forces is a major topic in today's economic life. It determines the location where we build all types of enterprises and how we distribute our manpower and our material and financial resources. Energy and raw material industries are basic ones with very limited potential in our national economy. Particularly in Sichuan where conditions are basically poor in developing natural gas, coal and thermal power generation, we must pay a high price to significantly increase the production output in these fields even by doubling the per-unit production cost. Building enterprises which consume a great deal of energy and raw and other material in Sichuan runs against the principle for the allocation of productive forces. Let us take natural gas as an example. In 1991, enterprises in Sichuan which use natural gas as a raw material or fuel already consumed 7.5 billion cubic meters of natural gas a year, but the province can only produce 6.42 billion cubic meters of natural gas a year. This has wasted 25 percent of the

production capacity for chemical fertilizer and more than 50 percent of gas consumption capacity in power generation in Sichuan (mainly in Chongqing and other localities). According to a survey conducted by a department concerned, more than 1 billion yuan are needed as prospecting and development funds to satisfy the need in that year and increase the total output of natural gas to 7.5 billion cubic meters. It means that the actual per-unit production cost will have to be raised by 30 to 50 percent. If we use price increases to offset the rising production cost and raise the fund for prospecting and development, the price on natural gas must be increased by more than 100 percent. Right now, this is obviously unfeasible. However the policy of dispersing the productive forces is affected by irrational prices. As a result, the number of gas consuming enterprises is increasing and they use more natural gas. The imbalance between supply and demand of natural gas will further pressure the gas producing enterprises to produce more natural gas, and it is even harder to solve the problem on natural gas price within a short period.

3. It is difficult to remedy the disorder in pricing for major products. Due to lack of coordination within the system, stepped-up efforts by various regions, departments and enterprises in making profits for themselves, the activities of the enterprises out of step with those of the government and difficulties in investigating and handling cases in violation of the laws on pricing in recent years, prices on some major products are becoming chaotic. Let us take the Wurong Coal Mine in Sichuan as an example. It sells coal to the x x Power Plant and delivers coal by railroad freight cars according to the state plan. To defray expenses in ensuring public security along the railway, the Sichuan Provincial Government decided in 1990 that a railroad security surcharge of 0.2 yuan per ton of coal be made by the railroad department and added onto the freight fee. However, the power plant refused to pay this surcharge and reimburse the coal mine which had already paid a part of the surcharge for the power plant, reasoning that this surcharge was not authorized by the central authorities. The branches of the State Audit Administration attached to the Ministry of Energy Resources and the Sichuan Power Administrative Bureau also did not recognize this surcharge. Finally, this surcharge became the burden of the Wurong Coal Mine which already showed alarming deficit. This coal mine had to pay several hundred thousand yuan extra every year. The transportation plan worked out by the Sichuan Provincial Planning Commission for the railroad department to transport coal from the Wurong Coal Mine to the power plant was often not carried out, because the railroad department decided to evaluate the sections under its administration on the basis of each section's volume of freight and efficiency. (That means, at a time when the supply of coal falls short of demand in some localities, the price and freight fees for coal produced in small coalpits are allowed to fluctuate. The power plants are willing to buy coal from small coalpits, and the railroads are willing to transport coal from such coalpits, but no one wanted to

buy or transport coal from the Wurong Coal Mine at the state-controlled price. As a result, the Wurong Coal Mine was forced to stop production or work half of the day for more than six months since the beginning of 1992. On the other hand, when the supply of coal exceeds demand, there are many state-planned railroad wagons available, but there is not enough coal to be transported). The problem of the production, transportation and marketing departments with each going its own way is comparatively outstanding. Sichuan Province decides to add five percent surcharge on top of the regular freight fee as a service charge as of 1 March 1990 (to defray the miscellaneous expenses), and the Wurong Coal Mine paid such surcharge on top of the freight fee. However, the power plant refused to pay this surcharge on the ground that such surcharge was not authorized by the central authorities. The Wurong Coal Mine could not help but pay about 300,000 yuan a year from its own budget. Sichuan Province decided to increase the price of coal produced above the state plan by 21.5 yuan per ton from 10 December 1991, but the power plant was only willing to pay 20.5 yuan for each ton of such coal on the ground that no authorization was given by the central authorities for this price increase. The power plant paid one yuan less than it was billed, totaling 600,000 yuan per year. The coal mine could not help but absorb this amount. All these problems were unsolved in spite of the efforts made by the departments concerned. All economic supervisory organs have lingering fear of these problems. Therefore, it is difficult to remedy the disorder in pricing.

4. The enterprise burden is too heavy, and it is hard to use the revenue to defray all expenses and charges. The issue of excessive enterprise burdens is already recognized by all sectors in society. According to a survey conducted by a relevant organ, half of the 3.767 billion yuan expenses of 687 categories in 1990 were assumed by enterprises themselves. About 70 percent of the 2.712 billion yuan expenses of over 10 categories were paid by large and medium-sized enterprises. About 80 percent of the 66.9 million yuan arbitrary fees of 2,200 categories were absorbed by large and medium-sized enterprises. According to another survey of 27 large and medium-sized enterprises in five cities and prefectures such as Chengdu, Chongqing, Neijiang, Deyang and Yaan, these enterprises in recent years paid all type of fees totalling 8,639,900 yuan, raised funds totalling 920,000 yuan and shared other payments totaling 3,458,000 yuan each year on top of the tax payments. Their financial burden was about 8.44 percent of their profits which will be turned over to the state in the form of taxes, and 31.7 percent of the profits to be retained for their own use. The percentage of deficits in all state-owned enterprises in the province reached 39.5 percent, while that of hidden deficits reached approximately 30 percent. The excessively heavy enterprise burdens made it difficult to adjust price relations and develop enterprises.



### **Fundamental Way To Solve Problems Is To Take Comprehensive Measures for Improvement**

The pricing issue facing large- and medium-sized enterprises is a profound one accumulated for many years. We must take comprehensive measures to gradually tackle this issue by carrying out reform with coordinated efforts. 1. We must continue to help enterprises transform their management mechanism, and gradually solve the problem of rotating price increases. Rotating price increases arise among enterprises, particularly between those enterprises producing energy and raw materials and processing enterprises. Except for reasons of policy guidance, there are other basic reasons for these price increases such as enterprises' backward equipment, extensive management, high raw material consumption, low economic efficiency, imperfect mechanism for market competition and their lack of ability in coping with price increases in raw and other materials. To solve this profound problem, we must continue reform with coordinated efforts and exert ourselves over a long period of time in raising the educational, scientific and technological standards of the whole nation and changing the enterprise management mechanism. Therefore, to continue facilitating the on-going change of management mechanism and promote technological progress of the enterprises via this change is of great significance in gradually solving this problem of rotating price increases. We must help enterprises from all angles to transform their management mechanism as soon as possible and urge the government to change its functions and create conditions for the elimination of rotating price increases.

2. We must rationally adjust our strategy in allocating productive forces and help enterprises lower their production costs. As seen from the situation in Sichuan, we must rationally adjust our strategy in allocating productive forces to solve the problem caused by excessively high consumption of energy and industrial raw and other materials and by high production costs. In addition to developing the reform program and changing enterprise management mechanism, we must strive to help energy consuming enterprises and other relevant enterprises lower their production costs. In this respect, we should pay attention to the following two moves:

Move natural gas consuming industrial enterprises, particularly those which consume large amount of natural gas, to China's northwestern region, especially Xinjiang and other localities. Sichuan has abundant natural gas resources, but its conditions are not so good. Particularly a number of major gas wells are drying up. To maintain the same output, we must spend a large amount of money for maintenance. In addition, new gas wells have become deeper and deeper. (The average depth of a gas well was 1,534 meters in 1965, 3,706 meters in 1987, and 4,000 to 5,000 meters in 1991.) There is no doubt that costs in opening up gas wells will rise on a large scale. (Morris, an energy development consultant of the World Bank, said during his visit to China in 1991 that this type of gas well is no longer being developed in Yemen and other nations.) Besides, the number of gas consuming enterprises is increasing and they use more and more

natural gas. To let these enterprises scatter all over Sichuan is a high risk. For this, we should work out a plan to move additional gas consuming enterprises to Xinjiang. For example, we should move the Sichuan Natural Gas and Chemicals Company which consumes 0.3 to 0.4 billion cubic meters of natural gas per year to Xinjiang where there are abundant natural gas resources and costs are low in opening up new gas wells. Then, we sell the urea produced to pay taxes to the state; help gas-consuming enterprises turn out fine chemical products which can be used to increase the production output value and make more profits; and help enterprises strategically improve themselves in offsetting the price increase of raw and other materials and alleviate the pressure from price hikes.

Move more industrial enterprises that use a large amount of coal or other energy resources to the coastal region, particularly to Zhanjiang, Leizhou Bandao and Hainan Province. Sichuan's coal resources are comparatively limited. Right now, most coal is excavated from coal layers one or even 0.5 meter below the surface. There are many deeper coal mines, and costs for coal excavation in these coal mines are rapidly rising. Letting industrial enterprises that consume a large amount of coal stay in Sichuan would mean high production costs. Therefore, it is necessary to move these enterprises to Zhanjiang and other localities, and take strategic measures to create conditions for remedying the problem on pricing that awaits large- and medium-sized enterprises by helping them transform their management mechanisms.

3. We must correctly handle the relations between lifting price control and strengthening price control, and gradually solve the problem of disorder in pricing. The current existing problem of disorder in pricing is also a profound one. Particularly the problem of disorder in determining prices for coal and electric power and railroad freight fees affects the economic relations between the central and local authorities and among the various departments. The price management departments have done a great deal of work in this connection, but they still fail to solve this problem. It is hoped that the leading organs at the higher level would exert even greater efforts in coordinating with one another to protect the legitimate economic interests of the enterprises.

4. We must lighten the burden on enterprises and create conditions to help enterprises adapt themselves to market regulation.

Sichuan Province has done a great deal of work and attained some achievements in lightening enterprise burdens. However, some problems of a profound nature are not yet solved due to the fact that government functions are still being changed. In this regard, some industrial enterprises request that collection of funds for construction be changed to collection of fees for the use of state projects according to international practice, and indiscriminate appropriation be avoided. They also request that associations of all types be separated from

government organs and that administration be streamlined as soon as possible. Their requests should be carefully studied and absorbed whenever possible.

### **CRES Advocates Shareholding for State Enterprises**

93CE0422B Beijing *QIUSHI [SEEKING TRUTH]* in Chinese No 6, 16 Mar 93 pp 40-42

[Article by Sun Xiaoliang (1327 2400 5328), affiliated with the Commission on the Restructuring of the Economic System (CRES): "The Essential Matter Is To Achieve Independent Operations With Responsibility for Both Profits and Losses"]

[Text] Relying on policy revision alone to enhance state enterprise vitality will not do, as converting the operating forces of state enterprises should be aimed at achieving independent operations with responsibility for both profits and losses. It will be only by becoming independent operators with responsibility for both profits and losses that enterprises will become qualified dominant market players, respond positively to state macroeconomic regulation and control measures, evolve into the microeconomic foundation for a market economy, and develop internal and external competitive mechanisms, on which basis the forces of self-incentives, self-restraint, self-accumulation, and excellence through competition will emerge, so that enterprises will have real vitality. It can be said that the day when state enterprises genuinely become independent operators with responsibility for both profits and losses will be the time when they have achieved their operating force conversion.

While there is practical experience in private enterprises being responsible for both profits and losses and state enterprises being responsible for profits but not losses, the only unprecedented thing is for state enterprises to be responsible for both profits and losses, so that we need to study and explore a way to bring this about. We know that responsibility for either profits or losses is the owner's, being necessarily based on capital holdings. The so-called "profit responsibility" refers to capital gains. When a given amount of capital is put into operation, if it is managed well and produces profits, the aftertax part is the capital gain. This capital gain belongs to whoever has the "profit responsibility." But the so-called "loss responsibility" refers to capital-offset operating losses. When a given amount of capital is put into operation, if it is managed poorly and produces losses, this is expressed specifically as a shortage of funds to repay due debts, in which case capital can be used as an offset. So quite obviously, both profit and loss responsibility are relative to capital ownership. In state enterprises, as the whole people are the owner with the state as their representative, while the enterprise certainly has no capital ownership rights or ownership standing, how could the enterprise be responsible for both profits and losses? This is a contradiction, and a very profound one at that. As this contradiction has certainly not yet been

clearly exposed, and even less so resolved, enterprise responsibility for both profits and losses has still not been achieved despite having been shouted as a slogan for eight years.

A CRES survey of 159 large- and mid-size state enterprises with losses shows that they are using the following ways to resolve them: 1. Suspended accounts, i.e., the losing enterprise temporarily suspends payment and defaults on loans due to banks, accounting for 47.2 percent of cases. 2. Enterprises make up losses with past retained profits, accounting for 35.5 percent of cases. It is actually impossible for enterprises that have not accumulated retained profits or do not have enough to repay loans to use this method. 3. The government provides financial subsidies, accounting for 7.1 percent of cases. 4. Contract bases are lowered, reducing payments to the state, accounting for 5.1 percent of cases. Other methods are used in an additional 5.1 percent of cases. In short, not one enterprise uses its own enterprise capital to offset its operating losses, for the very clear reason that state enterprise capital certainly does not belong to the enterprise, making it impermissible and impossible to use enterprise capital to offset operating losses. State enterprises actually do not have "profit responsibility" either, as enterprise profits have to be paid in the contract form to the government as the representative of the owner. As the fixed assets formed through enterprises investing their retained funds in reproduction still belong to the state and not the enterprise, it can be said that enterprises cannot be responsible for their losses, have no responsibility for their profits, and remain under the system of centralized responsibility for both profits and losses by governments at all levels as representatives of the owners.

For enterprises to become truly responsible for both their profits and losses, they must have not only operating authority, but also ownership rights. The problem is as follows: As we are adhering to an unchanged system of state ownership of the means of production, how can enterprises become the owners with ownership rights? This is a matter of how to make state enterprises responsible for both profits and losses.

What specific way in the past has been able to make enterprises responsible for both profits and losses under an unchanged system of state ownership of the means of production? This is going to necessitate first the rationalization of property rights relations. I believe that this so-called "rationalization of property rights relations" cannot be achieved through turning all state enterprises into private or enterprise-owned enterprises, but can occur through the independent establishment of corporate ownership, with the achievement of enterprise responsibility for both profits and losses based on corporate assets. This will mean going to the shareholding system.

The particular fundamentals of shareholding enterprises are expressed in the following three key areas: 1. The enterprise has independent corporate status toward its



capital contributors, including being the major private player and holding corporate ownership rights. 2. Shareholders have limited responsibility toward the enterprise, i.e., responsibility limited to the amount of capital that they have put up. 3. Directors are entrusted with the responsibility. This is based on shareholder confidence in directors who, in a commissioned form, manage shareholder capital, with the corresponding principle that directors must make overall shareholder interests their sole code of conduct. It will be based precisely on these fundamentals that joint-stock companies can become responsible for both profits and losses based on corporate assets, and that tens or hundreds of thousands and even millions of shareholders will have limited responsibility to the company based on the amount of capital that they have put up.

It is entirely possible for us to make use of these fundamentals to resolve our contradiction between state ownership of the means of production and enterprise responsibility for both profits and losses. The state will represent the whole people as the shareholder with limited responsibility toward every enterprise based on its capital contribution, while enterprises will be responsible for both profits and losses based on their corporate assets.

Once state enterprises are reorganized into joint-stock companies, they will experience the following changes:

1. State responsibility to enterprises will change from unlimited to limited responsibility. All state enterprise losses have always actually been subject to unlimited state responsibility. But when joint-stock companies sustain losses, they will be dealt with no longer directly by the state, but rather by boards of directors made up of shareholder agents, either through mortgaging assets for new loans to pay old debts, or through selling some property rights by attracting new shareholders to inject new capital, or through bankruptcy clearance, in which debts are paid with residual assets value. All of these methods are enterprise actions, with the state as shareholder or one of the shareholders simply having limited responsibility to the enterprise for the amount of its investment. Limited state responsibility essentially sets up "firewalls" between the state-owned assets of all enterprises, so that they do not affect each other. In this way, well-managed enterprises can steadily grow, accumulate, and expand, while poorly-managed ones will no longer be given "transfusions," so that they will be promptly eliminated through competition. This will not only effectively adjust the structure, but also sharply reduce the state's investment risk.

2. The ownership agents will shift from outside to within enterprises. Within state enterprises, there are only workers and managers, but no owners, who are the people throughout the country with governments at all levels as their representatives, which stand outside of enterprises, but cannot become a component part of them. But in joint-stock companies, the state as shareholder or one of the shareholders commissions directors to organize boards of directors as its agents, so becomes a component part of the enterprises. This

forms a balance of forces within enterprises of workers, managers, and owners, turning external restraints into internal ones.

3. Enterprises will change from corporations in name to corporations in reality. An enterprise's independent corporate status lies in its having corporate ownership rights, corporate assets, and the rights, duties, and ability to act as a key private player. As state enterprises do not have ownership agents, they are not equipped with these qualifications. Only through reorganization into joint-stock companies can they acquire such qualifications and an independent corporate status toward shareholders.

4. Enterprise management will become separate from government administration. In state enterprises, the government actually exercises the function of "enterprise owner," forcing it into direct enterprise operation. But in joint-stock companies, the government performs the function of "shareholder," being able to act only through its designated agents in taking part in company boards of directors, affecting company decisions, and effecting its own intentions. Shareholder rights and duties, as well as the commissioned responsibilities of boards of directors, are all clearly set forth in law. In this way, government and enterprise responsibilities are separate, with government functions being converted, and both having a (legal) basis.

Of course, certainly not all current state enterprises will have to be reorganized into shareholding enterprises. In general, state-enterprise operating modes will continue to be diverse.

1. Current state enterprises can be divided into the two major categories of those that must become independently operated and fully responsible for their profits and losses, and those that cannot. Those that cannot naturally will not need to be reorganized into joint-stock companies. 2. Those enterprises that need to become independently operated with full responsibility for profits and losses can also be divided into two categories. As a considerable number of small enterprises certainly do not have highly socialized production, so certainly do not suffer from the Marxist contradiction between private ownership of the means of production and the socialization of production, they can be auctioned off or leased to become responsible for their profits and losses on a private basis. But as large- and mid-size enterprises have more highly socialized production, it will be impermissible and impossible to auction them off to private owners, so that they must remain state-owned and become responsible for their profits and losses through shareholding. 3. State enterprises that will need to be reorganized into joint-stock companies can also be divided into two categories. While a few enterprises may need to sell shares to the public to raise funds, so will need to be reorganized into (full) limited liability companies, most will only need to be reorganized into limited liability companies with public corporate shareholding.

## PROVINCIAL

**Statistical Bureau Releases April Production Data**

*HK1305100693 Guiyang Guizhou People's Radio Network in Mandarin 2300 GMT 10 May 93*

[Text] According to the latest data provided by the provincial statistical bureau, industrial production in our province continued to show a momentum of sustained growth in April, coordination between production and marketing developed in a positive direction, enterprise profits increased noticeably, and economic results continued to improve.

In April, the total industrial output value realized by the entire province at and above the township level reached 257,700 yuan [figure as heard], representing an increase of 3.3 and 10.3 percent over the previous month and the corresponding period of the previous year respectively. The basic situation of industrial economic operations in our province at present is characterized by: 1) The development of nonpublic economies has accelerated. In various economic sectors, the development of township-run, joint-venture, jointly operated, cooperative, joint-stock, and other nonpublic economies was particularly rapid. In April, the output value of township-run industries across the province grew by 54.8 percent as compared with the same month of the previous year, while that of the abovementioned nonpublic economic sectors grew by 88.2 percent. 2) Heavy industry also presented a tendency of rapid growth, and the investment rate as well as the production and sales of products continued to pick up favorably. In April, the margin of heavy industrial growth broke through 20 percent, and the sales volume fulfilled increased by 20.5 percent over the same month of the previous year. 3) Coordination between production and sales developed in a positive direction. From January to April, the rate of industrial production and sales throughout the province reached 94.6 percent, increasing by 0.6 percentage points as compared with the same period of the previous year. Of this, the production and sales rate of large and medium-sized industrial enterprises was 2.6 percentage points higher than the provincial level. 4) Enterprise profits showed remarkable increases; deficits were further reduced; and economic results continued to take a turn for the better. 5) The production and sales of light industry suffered a continuous decline; the contradiction in the light industrial product mix was very conspicuous; and the economic results of cotton textile and some cigarette and wine enterprises continued to follow a trend of decline.

**Guangdong Economy Overcomes Market Barriers**

*93CE0463A Beijing JINGJI RIBAO in Chinese  
6 Apr 93 p 7*

[Article by Wang Zhuo (3769 3820): "Guangdong Experience: Overcoming 'Three Barriers' at the Same Time"]

[Text] Through 14 years of reform and opening up, Guangdong has overcome "three barriers" to reform—

barriers to opening markets, price reform, and commodity circulation—for over 90 percent of its products.

What was the secret of Guangdong's success in taking the lead to lay an initial foundation for a socialist market economy? In my opinion, the secret, if there was such a secret, was its correct attitude toward three different systems. Between the target of reform—the planned economic system—and the goal of reform—the market economic system—there was a transitional system—the system combining the planned economy with market regulation. The transitional system was necessary because it could avert reform by "shock therapy," comply with the reform principle of "construction before destruction," lessen the impact and "spasms of pain" caused by reform, help ensure social stability, and thus win support from the people. We should say, this was a notable unique feature, and the secret of success of China's reform. During the 14-year transitional reform period, Guangdong effectively and successfully used the transitional system in changing step by step the multi-form mandatory planning of the planned product economy into multiform guidance planning of the planned commodity economy. The course of this reform was a process of opening up the market, gradually forming a market mechanism, and giving full play to the role and expanding the scope of market regulation, thereby laying an initial foundation for building a market economic system.

Any other secret to Guangdong's success? Another secret was that during the reform stage of changing from the old to the new system, Guangdong took the lead in boldly and fully reforming the market-phobic conventions that existed in the traditional planned economic systems associated with the product economy. It broke through "three barriers" simultaneously—"barriers to opening markets, price reform, and commodity circulation."

**(1) First To Overcome "Market Barriers"**

This means that Guangdong's markets "were opened up early, developed dynamically, and grew quickly." The secret was that at the inception of reform, Guangdong knew clearly what made its market scope so small and restricted its market activities so seriously. As Guangdong understood it, the very thing that limited its market scope and restricted its market activities was the traditional planned economic systems of the product economy then carried out in both urban and rural areas, including the various forms of mandatory planning. Mandatory planning was the lifeblood of the traditional planned economic systems of the product economy, like the "precious jade of spiritual understanding" that hung from Jia Baoyu's neck. Just as the knot should be untied by the one who tied it, so the prerequisite for opening, liberalizing, and fostering the market was to narrow the scope of mandatory planning so as to take off that "precious jade of spiritual understanding." However, mandatory planning was backed by a series of macroeconomic systems. Without reforming these macroeconomic systems, it would be impossible to remove the

obstacle to changing the mandatory planning, or in other words, the barrier in opening up the market. In fact, it was due to the success in changing these macroeconomic systems as a preliminary step that Guangdong was able to break through the "barrier to opening markets." Document No. 50 issued by the CPC Central Committee and the State Council on 19 July 1979 agreed to let Guangdong implement eight new macroeconomic systems for trial purposes. The document stated: "The CPC Central Committee and the State Council agree, in principle, to the test-implementation of the economic management systems proposed in the report submitted by the two provinces. These systems are all-round contract systems under the unified leadership of the central authorities."

The essence of the eight macroeconomic systems approved by the central authorities as a step toward decentralization of power was to allow Guangdong to go ahead of others in reforming the traditional economic systems of the planned economy. By assuming all-round contract responsibility to meet the requirements of both higher and lower levels for funds, credit loans, foreign exchange, commodities, and materials, Guangdong gained power to reform the traditional planned economic systems of the product economy, including the power to reduce or do away with certain mandatory plans, while still guaranteeing the interests of the central level. This created a favorable condition for Guangdong to go ahead on its own to narrow the scope of mandatory planning as far as it could bear the impact of doing so. It was in this way that Guangdong became the first one to cut back on mandatory planning. Where mandatory planning was reduced, commodity markets and production element markets sprang up. Among them were markets of the modern commodity economy, such as financial, securities, and stock markets. As can be seen, reforming the macroeconomic systems as a preliminary step was the secret of Guangdong's success in taking the lead to break through "barriers to opening markets."

## **(2) First To Overcome "Barriers to Price Reform"**

A formidable problem encountered in reforming the traditional planned economic systems of the product economy is to change the price-formation mechanism, that is, to change the pricing system dominated by state-fixed prices to a new system with market-determined prices playing the main role. Now, items with market-determined prices account for 90 percent of Guangdong's total capital goods sales and about 95 percent of total retail commodity sales. The characteristic of Guangdong's price reform was that it started early, advanced at great strides, and progressed by stages. As early as 1979-1980, the province raised by more than 20 percent the procurement prices for 143 agricultural products as well as the prices of raw materials and fuels, including coal, iron, and lumber. During 1981-1984, it raised the sales prices of main agricultural products and nonstaple foods and decontrolled the prices of most farm produce in the third category, most manufactured goods for daily use, and industrial and agricultural products outside the plan. After stopping the unified and fixed purchases of 84 kinds of agricultural

products in 1980, Guangdong took a further step in this respect during 1985-1988 by totally abolishing the unified and fixed purchase system for agricultural products. At the same time, it liberalized the prices of all manufactured goods for daily use, put into effect a "double-track price system" for capital goods, and gradually narrowed the gap between prices of goods inside and outside the plan. During the period of economic improvement and rectification from 1989 to 1991, the province strengthened the management of major commodities whose prices had been liberalized so as to safeguard the results of price reform. In 1992, it lifted control over grain prices and adjusted the salt price as well as the prices and service charges of local public utilities. On the whole, Guangdong has advanced smoothly in overcoming "barriers to price reform."

What was the secret of Guangdong's success in breaking through "barriers to price reform?" A clear answer can be found in some of the province's annual growth figures and their interrelations. The following shows Guangdong's average annual growth rates of three indexes during 1979-1991: (1) The average annual rate of retail price hike was 7.5 percent. (2) The average annual rate of increase in wages of staff members and workers was 14 percent. (3) The average annual rate of per-capita income growth was 17.2 percent. The three rates show a ratio of 1:1.87:2.04. That is to say, Guangdong's average per-capita income grew faster than the average annual increase of wages for staff members and workers, while the latter was higher than the average annual rate of price hikes. This means that Guangdong's reform propelled its economic growth, which in turn, boosted the province's ability to sustain the impact of price reform. Such a virtuous cycle of price reform and economic growth was exactly the secret of Guangdong's smooth progress in breaking through "barriers to price reform."

## **(3) First To Break Through "Barriers in Commodity Circulation"**

One of the characteristics of the traditional planned economic systems of the product economy was that products flowed vertically according to the administrative system instead of horizontally according to the market system. They were transmitted by a single channel and could not flow smoothly. There were two chief reasons for this: First, as far as operational units are concerned, state-owned supply and commercial enterprises dominated the distribution of products. Second, with respect to circulation channels, products included in mandatory plans were distributed from one administrative level to another before they were sent to various urban and rural areas for sale. As for products not covered by mandatory plans, there was a system called "the four-tier vertical flow of goods." For example, from acquiring the supply of an industrial product to selling it in the market, it had to go through the four vertical tiers of "primary supply stations—secondary supply stations—tertiary supply stations—retail stores." Also, there were four kinds of purchase and sales: first, allocation and transfer; second, state monopoly of purchase

and sales; third, state monopoly of purchase and distribution; and fourth, unified purchase by the state or purchase based on quotas by the state. As for sales, a "three-fixed" system was implemented. For the wholesale of industrial products, for example, there were fixed buyers, fixed locations of supply, and fixed discount rates. The basic feature of these systems was that they went beyond the normal stage of socioeconomic development, stressed the product economy instead of the commodity economy, rejected the law of value, and denied the role of market and its mechanism. As a result, economic operations were rigid and lacked vigor and vitality.

Guangdong took the lead in reforming the traditional planned economic system of the product economy and breaking through "barriers in commodity circulation." It made four big steps in this reform:

**First step.** In September 1980 the Guangdong provincial people's government transmitted a circular listing 12 measures to facilitate the flow of commodities: (1) further reducing the state-monopolized purchase, quota-based purchase, and planned purchase of agricultural and sideline products while expanding the scope of third-category products; (2) adjusting the purchase and sales policies on manufactured goods for daily use; (3) actively developing joint ventures covering agriculture, industry, and commerce; (4) energetically promoting collective commerce and service industry; (5) giving full play to individual businessmen's role in supplementing the socialist market; (6) removing blockades among different regions and making commodity-circulation plans according to economic zones; (7) reducing intermediate links in commodity circulation; (8) energetically developing intra- and inter-provincial cooperation and establishing definite supply-marketing relations; (9) actively developing negotiated purchase and sales and successfully promoting trust trade and warehouse business; (10) further developing markets for agricultural and sideline products; (11) positively remedy the shortages of commercial and service facilities and savings depositories in cities and in industrial and mining areas; and (12) further strengthening market management. These 12 measures represented Guangdong's first breakthrough step in reforming the commodity-circulation system. This step of reform reduced the intermediate links and diversified the economic sectors, channels, and operational methods in the circulation of commodities. In terms of reducing links in commodity circulation, it signaled a major breakthrough in switching from the traditional planned economic systems of the product economy to the planned commodity economic system. Such a reform in those years did manifest a pioneering spirit of daring to go ahead of others.

**The second step.** Following the steps taken by the central authorities in transferring to the province the managing power for five primary supply stations, the Guangdong provincial people's government in 1984 "delegated some of its power to the next lower level" as well. The

secondary supply stations set up by the provincial companies selling articles for daily use, textiles, hardware, communications and electrical appliances, and chemicals were put under the management of the cities concerned. In addition, the province's specialized corporations were turned into operational entities, namely, wholesale enterprises acting as legal persons. This enabled them to gear their purchase and sales activities directly to the market.

**The third step.** Guangdong broke through the "administrative cage" of specialization and division of operations under the traditional planned economic systems of the product economy. It set forth reform measures to wipe out "four operational demarcations": (1) It wiped out the demarcation between wholesale and retailing, and integrated wholesale and retail businesses. (2) It wiped out the demarcation between different trades so that enterprises can engage in diversified operations while taking their original trade as the primary business. (3) It wiped out the demarcation between production and other businesses, and promoted industries run by commercial enterprises. (4) It wiped out the demarcation between domestic and foreign trade, and advanced toward the orientation of domestic and foreign trade integration. The reform, which broke with the division of operations, produced good results in facilitating the flow of commodities, raising the operational efficiency of commercial enterprises, and bringing prosperity to both urban and rural markets.

**The fourth step.** Reform was carried out by separate government administration from enterprise management with respect to commodity circulation. In August 1992 the Guangdong provincial government decided to transfer the administrative functions of the Provincial Commerce Department, Grain Bureau, and Supply and Marketing Cooperative to the Economic and Trade Office of the provincial government. Two bureaus and one cooperative were abolished and reorganized into five corporations based on five enterprise groups, namely, the provincial commercial enterprise group, grain enterprise group, food enterprise group, petroleum enterprise group, and supply and marketing enterprise group. Besides, a grain reserve bureau was established. The significance of this reform lies in the fact that, through organizational restructuring, government functions were changed, government administration was separated from enterprise management, and commercial enterprises were given a free rein to enter the market as protagonists in competition.

By taking the lead in overcoming "barriers to commodity circulation," Guangdong has formed a commodity circulation network with markets as its links and created a situation marked by brisk markets with abundant commodity supplies. Before the reform, 65 commodities in Guangdong were rationed; that is, urban and rural residents had to use coupons to buy these commodities. Now, they can buy all commodities without any restriction. At present, a large number of "Guangdong products," notably items with the brand names of "Zhujiang Water" and "Guangdong Grain"

and household electric appliances, have captured markets in various parts of the country. In 1985 Guangdong transformed from a province totally relying on imports from other localities into a province that supplied other localities with its products. In 1990 state-owned commercial enterprises and supply and marketing cooperatives in Guangdong provided 15.29 billion yuan worth of products to other localities, five times more than the 1978 record. Now, a diversified commercial setup has taken shape. In 1991, the breakdown of the total retail commodity sales according to different commercial sectors showed a drastic change from that in 1978: The proportion of state-owned commercial enterprises dropped from 48.8 to 38.5 percent, and supply and marketing cooperatives from 39.8 to 9.3 percent. On the other hand, the proportion accounted for by other collective-owned commercial units rose from 8.4 to 9.3 percent, joint commercial ventures from 0 to 3 percent, and individually owned stores from 0.3 to 27.5 percent. From 1978 to 1990 the fixed assets of commercial enterprises doubled and redoubled. Total value of fixed assets of state-owned commercial enterprises under the administration of the Provincial Commerce Department increased 3.6 times, from 690 million yuan to 3.4 billion yuan. Fixed assets of commercial enterprises run by supply and marketing cooperatives climbed up 3.5 times, from 470 million yuan to 2.09 billion yuan. And fixed assets of commercial enterprises in the grain supply sector rose 3.9 times, from 400 million yuan to 1.99 billion yuan.

To sum up, two things accounted for Guangdong's success in taking the lead to overcome "barriers in commodity circulation": First, it had a new concept. It replaced the product economy concept with a commodity economy concept. It changed the attitude from rejecting the law of value and restricting the role of that law to respecting, grasping, and applying that law. Instead of negating the role of the market mechanism, it gave full play to that role. Second, Guangdong took the path of coordinated and simultaneous reforms. Commodity circulation is an intermediate link between production and consumption (including productive consumption). Accordingly, we cannot just reform the commodity circulation system itself, but should link the reform of this system with the reform of the plan-management, market-management, and price-formation systems and carry them out simultaneously. Guangdong's experience shows that efforts to break through "barriers in commodity circulation" should be accompanied by and go hand in hand with efforts to overcome "barriers to opening markets" and "barriers to price reform." In reforming the circulation system for any product, if we do not coordinate and synchronize the efforts to overcome the above-mentioned three barriers, the reform will certainly be obstructed. For example, if a free circulation system has been established for a product, but the product itself is still controlled by a mandatory plan, the circulation-system reform for this product cannot be successful. As another example, if a product is no longer subject to mandatory planning but remains under a price-control system whereby its price has to be set by the administrative department, then the product cannot be liberalized from control and its supply and sales cannot be flexible. Because of this, if a product is to have the

attribute of a commodity, it is imperative to overcome "barriers to opening markets, barriers to price reform, and barriers to circulation," all to be done simultaneously.

Guangdong's 14 years of practical and successful efforts for reform and opening to the outside world have fostered the market, developed the market mechanism, and laid an initial foundation for building a socialist market economic system. These efforts are of far-reaching significance. They have brought a change to the people's minds, propelled the development of productive forces, promoted the progress of society at large, and formed a solid basis for turning the traditional socialist mode to one with Chinese characteristics. The masses in Guangdong have said that the era of reform and opening to the outside world is a golden age for Guangdong. This is the Guangdong people's eulogy on the superiority of socialism with Chinese characteristics!

#### Yunnan Proposes Targets, Measures for Opening Up

93CE0435A Kunming YUNNAN JINGJI BAO  
in Chinese 12 Mar 93 p 1

[Article by Jiang Meng (1412 5492): "Yunnan Pushes New Measures To Accelerate Development of an Export-Oriented Economy"]

[Text] Recently, the provincial government document "Views on Accelerating Development of an Export-Oriented Economy in Yunnan," authorized through the provincial planning committee and provincial foreign economic and trade committee, put forward the idea that when it comes to foreign economic trade, to increase the rate of acceleration of development for the people's economy for the province as a whole, the province must increase foreign currency generating exports by 15 to 20 percent per year. It must increase the proportion of total export value in the people's total output value from 5.3 percent to around 10 percent. It must accelerate the rate of development of border trade. The number of joint ventures set up on average per year should be increased to more than 250. It must increase the number of foreign tourists and tourism generated foreign exchange by more than 30 percent per year. There must also be a major increase in the scale of the use of foreign government or bank loans, in striving for international support, in contract foreign projects and labor services, etc.

To realize the goals described above, the following new measures will be promoted:

Taking Kunming as the center, the border counties as forward positions, and the southeast as the focal point, a situation will be created that is open on all sides.

Establishing an enterprise encouraging structure whose primary goal is earning foreign exchange from export type enterprises, and walk the path of industrialization, enterprise groups, and internationalization. Developing diverse types of joint management for production, commercial, goods and materials, and local county foreign trade enterprises.

Exploiting superior natural resources, fostering the development of superior industries, and actively supporting township enterprises in establishment export commodity production bases.

Making major efforts to develop foreign exchange generating agriculture, establishing high quality export product agricultural production bases, and setting up joint venture agricultural enterprises.

Giving full play to mass organizations, organizing among the people the function of attracting foreign investment, actively exploiting various methods for attracting international and domestic businesses.

Simplifying foreign business invested enterprise examination and approval procedures.

In a step by step manner, entrusting a set of large and middle-sized enterprises with management authority over imports and exports. In Dehong, Hongjiang, Dalizhou, Yuxi, Chuxiong, Chujing City and the three border open cities of Wanting, Ruili, and Jiangkou, the province will establish a set of foreign trade enterprises with import export management authority, and by stages and in turn invest in 27 border county cities one or two border trade enterprises with import export management authority, and for two years in succession invest with such authority technology intensive electronic industries which generate up to \$500,000 in foreign exchange through exports, normal electronic enterprises generating \$1 million, and other production enterprises generating \$2 million.

Expanding economic and technological cooperation with peripheral countries, opening up contract projects and labor service cooperation with neighboring countries, making major efforts to develop border trade and the export of commodity production, encouraging the arrival of border foreign managed enterprises, and encouraging institutions of higher education and scientific research units to actively develop high tech exports, and the influx of border foreign managed science and technology industrial entities.

Establishing and improving accounting offices dealing with foreigners, legal offices, and international trade news centers and consulting organizations that are in line with international practice, setting up as pilot schemes investment companies that mix foreign capital and Sino-foreign combined investment leasing companies, and establishing special purpose funds and risk funds, etc., to develop an export-oriented economy.

### **Yunnan Energy Shortages Reported, Measures Taken**

*93CE0435B Kunming YUNNAN JINGJI BAO  
in Chinese 15 Mar 93 p 1*

[Article by Zhu Xiangwei (2612 4382 0251): "Yunnan Electrical Power Bureau Takes Measures To Alleviate Shortages"]

[Text] Since the beginning of this year, the Yunnan electrical grid has faced the most serious period of electrical shortages in the last several years. For this reason, the provincial power bureau has adopted measures to vigorously promote the planned use of electrical power, to economize on electricity usage, and work hard to see that the limited electrical power available is used in the most economically efficient manner.

Since last year, the Yunnan power grid, due to the effects of the drought, has seen a number of hydroelectric power station reservoirs go down, meaning that output of power plants has been seriously insufficient. In the first half of this year, the province as a whole was short some 6.6 billion kilowatt hours, and the power grid plan guaranteed 5.4 kilowatt hours, while with much effort a total of 5.6 kwh was achieved, leaving a shortage of 1.0 to 1.2 billion kwh. The first quarter planned hydroelectric power output was down by 587 million kwh compared to the same period last year, while thermal power plant planned output increased by 553 million kwh compared to the same period last year. According to statistics, this January, the overall situation showed that the generated total of electrical power output still exceeds the planned level by 7.4 percent. Because the power grid was forced to go beyond the planned release of hydroelectric generated power, if the province does not adopt decisive measures to rapidly reverse the tide, this will create even larger losses for industry, agriculture, and people's livelihood throughout the province. For this reason, the provincial power office has adopted the following measures: First, it is working hard to tap unused and more sources of power. It is working jointly with the provincial economic committee to study issues such as the fact that the coal is in the north and transport is in the south, and will be looking to the outlying district coal transport situation as it launches an inspection tour of power stations to compensate for the fact that coal use by the Yunnan power stations is insufficient. Second, it will strive to purchase power from Guizhou, and at present has already obtained 200 thousand kwh of power. Third, it will accelerate the pace of construction of power plants: This year it is necessary to ensure that the Manwang first 250 MW generating set generates electricity before 30 June, and strive to have the second 250 MW generating set go into operation before the end of the year. This year it is also necessary to create conditions, which will allow for "the big replaces small" transformation process of the Qijing power station's two 300 MW generating sets, and the Yinzonghai power station's 200 MW generating set to occur, and for the Dachashan power station to go into operation, an overall capacity of 2150 MW. Fourth, it is requiring each district's economic management department, based on the tightness of this year's electrical power supply situation, to make major efforts to properly handle their overall balancing, and organize economic production well, safeguarding priority projects, and using the limited electrical power for economically efficient enterprises and products, and enterprises and products related to the national economy and the people's livelihood.



## LABOR

### Overview of 1992 Labor Exports

93CE0426A Beijing GUOJI SHANGBAO in Chinese  
2 Mar 93 p 1

[Article by Cai Ling (5591 3781): "Last Year China Made Rapid Development in Contract Foreign Projects and Labor Service Cooperation"]

[Text] Director Chen Yongcai [7115 3057 2088] of the Foreign Economic Cooperation Department under the Ministry of Foreign Economic Relations and Trade disclosed recently that from 1979 when China initiated new services for contract foreign projects and labor service cooperation to the end of last year, China signed 33,487 foreign projects and labor service cooperation contracts with 159 countries and regions, worth \$25.2 billion and \$14.8 billion in turnover. The number of persons sent abroad for contracts and labor service totalled more than 600,000. Last year China signed 9,240 contracts with 154 countries and regions, worth \$6.2 billion and \$2.8 billion in turnover, an increase of 72 percent and 27 percent respectively over last year's \$3.6 billion and \$2.2 billion. At the end of last year, 130,000 people were involved in foreign projects and labor services, an increase of more than 40,000 people over the same period the previous year. This was a record year in which the largest number of people served abroad. Economic and social efficiency have generally been enhanced, and various quotas have scored the best historical record.

Last year, new labor service contracts exceeding \$50 million were signed with 15 countries and regions. They are in the order of volume: Hong Kong, Macao, Russia, Pakistan, Japan, Korea, Kazak, Singapore, Malaysia, Iran, the United States, Kenya, Kuwait, Laos, and Vietnam. Contracts signed with these 15 countries and regions were worth a total of \$4.939 billion, accounting for 80 percent of the total volume signed with 154 countries and regions over the same period of time. Compared with the previous year, last year saw a net increase of \$2.6 billion in new projects and labor service contracts. The major reason is that we have achieved rapid development in the afore-mentioned countries and regions, with large-scale increases.

Last year a business volume of \$35 million was fulfilled in 12 countries and regions, where China's business volume totalled \$1.949 billion, accounting for 70 percent of China's total business volume in 154 countries and regions for the same period of time. Last year in 12 countries and regions such as Hong Kong, Macao, Russia, the United States, Mauritius, and so forth China sent a total number of more than 95,000 personnel for projects, labor service, and for advanced studies in Japan and Korea, accounting for 74.3 percent of the total number of personnel China sent to 154 countries and regions for the same period of time.

Last year 12 international corporations fulfilled more than \$100 million in foreign contract projects and labor service. In order of contract volume these corporations are: China

General Corporation of Harbor Construction, China General Corporation of Architectural Engineering, China Central Plains Engineering Corporation With Other Countries, China Civil Engineering Corporation, Heilongjiang Engineering Corporation With Other Countries, China Oriental Corporation for International Economic and Technological Cooperation, International Corporation of Guangdong, Shanghai, and Fujian, China General Corporation for Highways and Bridges Construction, Jilin International Corporation, and Western China Enterprise Corporation. The 12 international economic and technological cooperation corporations mentioned above signed last year foreign projects and labor service contracts worth \$3.819 billion, accounting for 61.76 percent of the total volume in foreign projects and labor service contracts signed last year by more than 100 of China's international corporations.

How did China's foreign contract services achieve such rapid development last year? Chen Yongcai pointed out the following major reasons:

International corporations actively carried out the State Council's "Regulations on the Management Mechanism Transformation of Industrial Enterprises With Ownership by the Whole People," in the process of combining window style and business management style, and based on industrialization, accelerated the process of groups and internationalization, generally implemented the contract responsibility system, and under possible conditions implemented the stock share-holding system. And shifted from paying attention to contracts to emphasizing both contracts and efficiency, from single item management to comprehensive management, from single markets to diversified markets, from decentralization and single-handedness to joint management, and established the "four selfs" mechanism of self-management, assuming sole responsibility for their own profits or losses, taking charge of their self-development, and self-restraint. The competitiveness of Chinese corporations in international markets has been forcefully strengthened.

In accordance with the new situation, the Ministry of Foreign Economic Relations and Trade delegated business management authority for foreign projects and labor service to a number of large enterprises (Shoudu Iron and Steel Plant, Anshan Iron and Steel Plant, Daqing Oilfields, etc.), border areas, coastal open cities, some large-scale planning and designing units, and foreign trade corporations. Thus, a body has been formed that has multi-professions and sectors in the world's contracting and labor service markets, and that can compete with big foreign contractors in international markets.

The Ministry of Foreign Economic Relations and Trade strengthened macro-guidance and management coordination, in the areas of specific matters of payment methods, the use of foreign currencies, accorded the corporations a series of preferential, lenient, and flexible policies, and thus forcefully promoted the development of this cause.

## TRANSPORTATION

### Guangdong Section of Beijing-Kowloon Railway Begun

*HK0705003193 Guangzhou Guangdong People's Radio Network in Mandarin 1000 GMT 2 May 93*

[Text] The commencement ceremony of the construction of the Guangdong section of the Beijing-Kowloon Railway was held on the construction site of Wuzhishan Tunnel in Heping County this morning. The Beijing-Kowloon Railway starts from Beijing in the north and ends in Shenzhen in the south, and links with Kowloon, Hong Kong. It runs through nine provinces and municipalities with the length of the main line totalling 2,370 km. This is another long trunk line traversing the north and the south in between two arteries—the Beijing-Guangzhou Railway and the Beijing-Shanghai Railway. The Beijing-Kowloon Railway is one characterized by the biggest scale, largest investment, and greatest length of railroad completed at one time in the history of China's railway construction.

The Guangdong section of the Beijing-Kowloon Railway has a length of 83 km and runs through Heping and Longchuan Counties. The section is situated in the mountain areas with a varied topography linked by bridges, culverts, and tunnels. That is why the project is very arduous. There are 54 tunnels with a total length of 18 km. The Wuzhishan Tunnel, where the commencement ceremony was held, boasts a length of 4,455 meters, the longest tunnel of the Beijing-Kowloon Railway.

After entering the Longchuan Station, the Beijing-Kowloon Railway will be connected to the Guangzhou-Meizhou-Shantou Railway, the tracks of which will be laid to Longchuan this year. The entire railway will be completed and opened to traffic in 1995.

Zou Jiahua, vice premier of the State Council, Han Zhubin, minister of railways, Xie Fei, secretary of the provincial party committee, and Zhu Senlin, governor, among other leaders, attended today's ceremony.

## AGRICULTURE

### Yunnan Establishes Agricultural Production Bases

*93CE0435C Kunming YUNNAN JINGJI BAO in Chinese 19 Mar 93 p 1*

[Article by Huo Jianming (7202 1696 2494): "Yunnan Province Will Establish 10 High Quality Agricultural Bases"]

[Text] To adapt to the needs of domestic and foreign markets, the province is promoting the transformation from traditional agriculture towards modernization of agriculture. Starting this year, Yunnan is developing in an integrated manner foreign currency generating agricultural businesses, and will construct as priority projects 10 high quality agricultural production bases, accelerating the pace of development of high production quality and highly efficient agriculture.

First, it is gradually mastering the construction of commodity grain bases, promoting readjustment of the grain product structure, and stressing the proper handling of the production of quality grains, oils, and legumes.

Second, the province is continuing to master the establishment of commodity pork, beef, sheep, and dairy product bases. Of particular importance is the need to further develop the production of quality beef and mutton.

Third, the province is continuing to master the establishment of fruit production bases. At the end of the Eighth Five-Year Plan, quality fruit production bases will go from the current 400,000 mu to 600,000 mu, and major effort will be put in to improving storage and transportation, processing, and outside marketing capabilities.

Fourth is the creation of a series of name-brand tea integrated production and marketing bases; through cloning improved varieties of tea there is a need to demonstrate that this type of planting can push forward planting over large areas.

Fifth is the new construction of a series of high quality major rice bases and famous specialties improved type food grain (other than wheat and rice) bases, focusing on the establishment of processing enterprises and breeding of grains by selection, and together with farmers establishing futures trading arrangements, to ensure that in the last period of the Eighth Five-Year Plan the creation of high quality rice bases of more than 300,000 mu, and famous specialty food grain bases of more than 50,000 mu.

Sixth is the establishment of production, processing and marketing integrated high quality edible oil bases, striving to reach the scale of more than 500,000 mu bases in the last period of the Eighth Five-Year Plan.

Seventh is the construction of a series of export-oriented vegetable production and processing bases, in the Kunming area focusing on the development of high grade pollution free vegetables, and in the rest of Yunnan, the southern part of the province will stress the development of winter and spring early-maturing vegetables, and at the same time lay particular emphasis on the exploitation of famous specialty vegetables, and increasing breeding by selection capabilities.

Eighth, in accordance with the plant resources of Yunnan, starting from hybridization to create varieties, establish an original flowers and plant production bases, and manage the production of commodity plants and flowers and high quality plant and flower seeds.

Ninth, in mountainous districts and semi-mountainous districts having developed bases and growing conditions, select a series of counties to open up mountainous district silkworm bases, strive to avoid squeezing out fertile farmland, and greatly expand the scale of the silkworm industry.

Tenth, establish special types of aquatic product bases, choose the best and develop highly valued products such



as shell fish, fresh-water shrimp, and bullfrogs, and in accordance with the requirements of the market, develop game type bred items.

#### **Diseased U.S. Wheat Imports Quarantined**

93CE0426B Beijing JINGJI RIBAO in Chinese  
5 Mar 93 p 2

[Article by Zhang Zichen (1728 1311 5256): "Tianjin Animal and Plant Quarantine Bureau Should Be Awarded a Citation of Merit"]

[Text] Tianjin Municipal Animal and Plant Quarantine Bureau conscientiously carried out the "Law Governing Entry and Exit Animal and Plant Quarantine" to protect China's foreign trade. Since last year none of the certified exports granted by the bureau were returned. At the same time a great number of materials that carried plant diseases and insect pests were kept out of the country. Recently, once again the bureau intercepted and retained harmful wheat imported from the United States that had the pathogenic bacteria dwarf star black ear.

According to our understanding, since last year when China started to implement the "Law Governing Entry and Exit Animal and Plant Quarantine," Tianjin Municipal Animal and Plant Quarantine Bureau focused on the

tough issues and made breakthroughs in key areas. Through all-weather intensive and conscientious work, the bureau quarantined more than 10,000 batches, more than double the previous year. Altogether, epidemic diseases were detected in 105 batches.

On 11 February this year, an American ship from Houston carrying 57,000 tons of wheat was quarantined according to the law by Tianjin Municipal Animal and Plant Quarantine Bureau. Consequently, not only harmful plant diseases and insect pests were intercepted and retained—the pathogenic bacteria of dwarf star black ear in wheat, but also in the sample of the same batch of wheat they found gall insects of the pathogenic bacteria dwarf star black ear. Director Yang Weichang [2799 4850 7022] told reporters that this disease is the hardest to prevent and eliminate. In some years in the United States this epidemic caused a 60 percent reduction in wheat yield, or even zero output. Therefore, the quarantine system has resolutely applied strict disinfection to the diseased wheat, operating docks, loading and unloading machinery and tools, vehicles that carried the wheat, and warehouses were sealed up. This incident alone cost 3 million yuan. The work of claiming damages is presently underway. If the American wheat on the second ship still has problems, export of this batch of wheat will be terminated according to the law.

**Legal Provisions Needed for Polygraph Use***93CM0229D Beijing GUANGMING RIBAO in Chinese  
10 Mar 93 p 5*

[Article by Yang Yitai (2799 1473 3141): "The Lie Detector in China"]

[Excerpts] [passage omitted] In June 1992, two male corpses were found in an abandoned mine in Jinxi City, one was Hou Wenxue [0186 2429 1331], a former brickyard night watchman, and the other Shi Mingling [0670 2494 0109], a former mental patient. Investigation found that Hou Wenxue was one of a longstanding group of five male gang rapists and pimps headed by a certain Nie. A slip of paper noting an appointment with Nie for the evening of 28 June was found under his phone at work, but no one had seen him the following day. Through much investigation, the police suspected Ms Nie, her husband, and son as the murderers. While a powerful interrogation brought Ms Nie and her husband, a certain Guo, to admit that they had killed Hou, it was unable to force them to turn over information on how they had moved the body, the murder weapon, or the location of the corpse's clothing. So those handling the case decided to use a lie detector:

"Are you Nie X X?"

"Yes."

"Was your appointment with Hou Wenxue at 1900?"

"No."

"Was it at 2000?"

"No."

"Was it at 2100 hours?" "Was it at 2200 hours?" "Was it at 2300 hours?"

This woman, who should have been expected to answer her male interrogators truthfully, and who trembled when confronted with the precision instrument, responded "no" to all questions except her name. Of course, as far as the lie detector was concerned, the importance was not her actual replies, but rather her psychological reactions to certain questions, which are hard for a person to control with their intellect.

When her son was brought to the lie-detection room, he constantly shook with fear. Seeing the face of one stranger after another and hearing the sound of the instrument, he did not calm down for more than a half hour.

The data analysis after nine polygraph sessions with the three suspects showed that Guo's crime was essentially confirmed, and proved that Ms Nie was at the scene of the murder. While the possibility of their son's participation in the case was not high, it was found that he knew certain facts about the case, and his conclusion that it was his father's act was further proof of the police's judgement. [passage omitted]

While particular polygraph methods vary throughout the world, China now uses only three methods: detecting responses to the crime, tension peaks, and model questions. [passage omitted]

In the case of a threatening letter received in Shenyang on 31 July 1983, Beijing public security officials, such as Wang Bu [3769 5943], were ordered to give lie detector tests to the suspects. This was the first instance in which Chinese public security organs used the polygraph in a criminal case. Wang Bu and his crew have since used polygraph technology against suspects in 10 cases, such as an incident of arson in Pinggu County, Beijing City, and one of a bus bombing in Nanchang, achieving good results with an accuracy rate over 80 percent.

In May 1992, upon the request of the Shandong Public Security Department, Xu Wenhai [1776 2429 3189] and Zhang Zufeng [1728 4371 0023] rushed a Chinese-made PG-1 polygraph to Shandong's Changyi County to help in the investigation of the murder of a party committee secretary in a certain township. While the suspect, a certain Li, confessed to the murder at first, he was unclear about its details. The local public security organ could not find the murder weapon, and had no alternative but to request a lie detector test for the suspect. While the two young polygraph "experts" conducted a conscientious interrogation based on a standard set of questions, the result surprisingly showed the suspect to be innocent. So the public security organ immediately brought in two other suspects who had previously been cleared. Polygraph testing found one not to be a suspect, but the other to be the most conspicuous suspect, who was held to be the criminal in the 14 January crime. Based on these results, it was decided to begin with his wife, a certain Zhang who after a few hours of polygraph testing finally confessed.

Since then, these two young public security officers have used polygraph testing in almost 20 other cases, with Zhang Xufeng rating their accuracy at 99 percent, but only because probability studies exclude a 100-percent rating.

Polygraph technology has a certain scientific basis, but human psychology is complex, and the data on testing of physiological reactions are affected by many factors. Therefore, lie detectors are not omnipotent or 100 percent accurate. It is only when the test subject lies on purpose that the polygraph is effective. If the subject does not realize that he is lying, the lie detector test is ineffective. For instance, a certain witness to a burglary mistakenly thought that the criminal's hair was white, so showed absolutely none of the tension of a liar when tested. Furthermore, someone who thinks that he is God can pass a polygraph test successfully without telling the truth. This means that the polygraph can act only as a supplemental tool in cases, but cannot replace investigation and interrogation, or be used as proof.

A public security criminal-investigation-technology study group returned from a 1980 trip to Japan and

noted that "the polygraph has a scientific basis, and our past absolute denial of it was wrong."

In 1990, the CAS Automation Studies Institute noted the lack of the necessary means of psychological training for Chinese athletes, so cooperated with the Beijing Physical Education Teachers College in the development of the LZ-1 psychometer, which was tested with good results on many famous athletes before the Asian Games. When the news of this reached the Ministry of Public Security, the pertinent department immediately organized technicians to test it, the results of which proved that China was fully capable of developing its own polygraph. So technicians from the Ministry of Public Security's S&T Intelligence Institute, the Beijing Public Security Bureau, and the CAS Automation Studies Institute were organized into a taskforce. Six months later, the first Chinese-made polygraph—the DG-1 composite psychological polygraph, emerged.

How is this polygraph different from the the psychometers in use in certain developed countries? Will the technology pass muster? Its major developer and patent applicant, Zhang Zufeng, notes the following: While our testing parameters are the same as those of polygraphs in developed countries, our psychometer technology is better. The others use pointers to draw plates, which is less precise and higher in cost, with five pointers costing 10,000 yuan, or as much as the price of the whole polygraph. Our polygraph converts simulated signals to digital ones, which are stored, processed, and output by computer, using the computer for in-depth analysis and processing, and then development of a special system of evaluating polygraph plates, which is more precise and allows for duplication and editing. A U.S. expert who saw our polygraph in Beijing said that "this seems to be the best polygraph that I have ever seen."

Along with the emergence of Chinese-made composite psychological analysis instruments, the demand for polygraph machine purchases and for public security organs to dispatch polygraph teams has been growing, bringing increasing questions. Does the polygraph infringe on human rights? What is its legal basis? [passage omitted]

The polygraph does not have a clear legal basis or administrative laws and regulations to follow in China, the Chinese criminal procedural law provides for detention of suspects by public security organs, so that there is no suspicion of illegality in conducting lie detector tests on suspects as a supplement to investigation and interrogation. But how should polygraph results be dealt with, are they legally valid, and can the polygraph be used to test the "loyalty" of innocent people or businessmen? As the intensification of reform and opening is likely to put the establishment of private polygraph companies on the agenda, how should their actions be standardized? All of these questions will require clear legal, regulatory, or constitutional provisions by our national legislative or executive sectors. This will also be a guarantee for the further promotion of polygraph technology development.

Development of the polygraph is calling out to the legal system.

**JINRONG SHIBAO Interview With Wang Meng**  
93CM0241A Beijing JINRONG SHIBAO in Chinese  
13 Mar 93 p 1

[Interview with Wang Meng by JINRONG SHIBAO reporter in Beijing in February: "Wang Meng (3769 5536) Answers Students' Questions at the JINRONG News and Literature Training Course"]

[Text] **Wang Meng and His Works**

In mid-February, the "Literary Supplement" Department of this newspaper organized in Beijing a JINRONG news and literature training course. At one of the meetings, Wang Meng, a former minister of culture, deputy chairman of the Chinese Writers' Association, and famous writer, gave a vivid class on literary problems in the new era, and with wit and humor answered the students' questions. The recorded questions and answers are now arranged for publication:

[Question] Can you say something about the lawsuit regarding the novel *Hardened Thin Gruel*?

[Wang] The lawsuit regarding *Hardened Thin Gruel* is already a matter of the past, and I don't think I shall go into details here. I want to make it clear that under the conditions that prevailed in 1991, the accusation against *Thin Gruel* had a certain "unusual" and dangerous character, because it attributed to this work the purpose of "hinting obliquely at certain things." That is just absurd. Moreover, the accusation unexpectedly adduced Taiwan opinions, and linked the work to personalities in China's highest leadership that was something of a portent of ominous dangers. Because of the resolute, yet also restrained resistance of the author himself, and by many comrades among the literary and art circles, it never developed into a case of "literary inquisition," and never developed into an incident like the case of *Hai Rui's Dismissal From Office* and the case of *Three-Family Village*. This shows that the times have changed, and that China and our social and literary life have made extraordinary progress, following the Third Plenary Session of the 11th CPC Central Committee. In the past, when an author was criticized, even if he went down on his knees and did self-criticism, nobody would listen to him. After intervention by the leadership of the Central Committee, the quarrel about *Thin Gruel* stopped, the lawsuit stopped, and there was no more case for criticism. *Thin Gruel* is still being published in China. When the Huayi Publishing Company published a collection of my novels under the title *I Dreamed of You Again*, it included "Thin Gruel." For its century-bridging literary collection, the Changjiang Literary Publishing Company recently even chose *Hardened Thin Gruel* as a book title. There are translations of "Thin Gruel" all over the world. The Central Committee now calls for unity and creating prosperity, so I also don't want to talk here in more detail about "Thin Gruel."

[Question] What are your most recent great works? What are you writing now?

[Wang] I am now mainly writing a cohesive novel, of which I finished the first part, called *Season of Love* in May 1992. It was published in Nos 5 and 6 of the 1992 HUACHENG magazine, and the People's Literary Publishing Company will bring it out as a book. I am now writing the second part.

[Question] Please talk about your recent living and working conditions.

[Wang] I have already spoken about my work. My living conditions are, I feel, very good. I am now no more burdened by administrative work, so that I can devote more energy to creative work. I get many visitors; I also travel to many places here and abroad. Year before last, I went to Singapore; last year I went to Australia, in March and April this year, I intend to go to Singapore and Hong Kong, possibly also to Malaysia.

As to my writing, I think this is now the golden era for my work as a writer, it is really too good. In other respects, whether everything is good, about that I am not so certain. I most recently feel that in spite of my still good spirits and appearance, and fairly black hair, I am really old. I am this year 59, will be 60 next year, and whenever I do much writing, it tires me out, so that I now limit my daily output to 1,000 characters. When I was young, I wrote at the most 15,000 characters per day and on the average could write up to 3,000 to 4,000 characters per day. With respect to rhythm, I also do not dare to have that too tight; especially after my colleagues from Shaanxi, Lu Yao [6424 6674] and Zou Zhi'an [6760 1807 1344], passed away in a short time, one was 41 and the other 46, I feel that as to my writing, I have to go about it slowly but without a letup.

[Question] In a recent BEIJING QINGNIAN BAO article you were called the leader of the literary trend of the sixties and seventies; is that true?

[Wang] During the sixties and seventies I was doing manual work in Xinjiang, and the tool I mostly used was the mattock; I was at that time there swinging the mattock! But I was also not able to lead the mattock-swinging trend, because I was not as strong as the others. I really did not lead the literary trend in the sixties and seventies.

[Question] May I ask, after reading Jin Yong's [6855 1661] swordsmen novels, did you prepare to write some yourself?

[Wang] Up to this day, I have never had the intention, and will probably never have that intention in future. There is still too much that I want to write, and if I should ever finish writing what I want to write, I might perhaps consider the suggestion of my schoolmate. However, one must not assume that it is easy to write that; each person has his or her own approach, and it is quite possible that I could not write that, that I would actually be unable to write that.

[Question] Would you please say something about the style changes in your writing?

[Wang] I have never given this question much thought; I can only talk about it in general terms. Whatever I wrote from the 1950s to the beginning of the 1980s, was evidently influenced by Soviet literature; it had a strong idealistic color and showed fervent love of life. Thereafter, there was much more satire and exposure of the dark sides of social life. My poems were monologues of my innermost feelings, and some also mean to ridicule and mock. There are many things in the world that are most ridiculous, but you can't eliminate them in one stroke; there would also be no need to get too exasperated about these things; they are good material for ridicule and mockery.

[Question] Would you please say something about your studies of *Dream of the Red Chamber*.

[Wang] I have always had an interest in *Dream of the Red Chamber*, and have always had the intention to discuss it from my point of view. As a man of over 50, I have had my own experiences with political and social life. When I was in an administrative position, I really have had no time to write anything about *Dream of the Red Chamber*, but after relinquishing my administrative jobs, studying *Dream of the Red Chamber* was one of my great pleasures. I had this idea very early in life, but could actually do it only after I got rid of the official duties that I wanted to get rid of.

[Question] Would you please say something about *Springtime Forever*.

[Wang] *Springtime Forever* was my earliest novel; I was only 19 when I started on it, that was 40 years ago. As I said, it was my first, and as every first love, it was a beautiful experience, or one might also say, a very puerile experience. Much of the background for *Season of Love*, which was recently published, came from the same source as used in *Springtime Forever*, but there is a very big difference in the understanding of life.

#### On Literary Theory, Practice, Present Condition, and Future Prospects

[Question] Literature is a mass-oriented art, but people generally find "obscure" poetry difficult to digest. How are we to treat this problem?

[Wang] I think the mass character of literature is something that applies to it as a whole, but as to any particular work, it is hard to say. Some works appeal to both the more and the less cultured, such as *Shui Hu Zhuan*, *Xi You Ji*, *San Guo Yan Yi*, and *Dream of the Red Chamber*. Some are appreciated by the less cultured, but not appreciated by the more cultured, such as some love stories, swordsmen novels, and detective stories. Then there are the poems of Wang Guozhen [3076 0948 4176]; young people like them very much, but some high-class literature specialists don't give them high marks. The same is true for Qiong Yao's [8825 3852] stories, but

they are still fun to read, and their value is that they are being read and give pleasure to a considerable reader public. There are also literary works appreciated by the more cultured and not appreciated by the less cultured, works that have a good response from the literary world and among specialists, but which are not appreciated by the public at large, such as *Qiu Ju Da Guansi*. The mass character of literature, therefore, does not mean that each work should have the same number of readers, viewers, or listeners. Mass character can be said to be quality and style of a literary work, a kind of special character, but it is not the only special character of literature, and not uniquely applicable to literature alone. TV serial dramas, movies, performances by stars of the musical world have frequently more of the mass character than literary works. Apart from its one aspect of mass character, literature should also have qualitative excellence. It must have, and also certainly can have qualitative excellence in representing the highest level of our national culture.

[Question] We have now many articles describing the lives of central government leaders; are they authentic?

[Wang] I really don't know. However, the few articles by Quan Yanchi [5425 1693 6375] on Mao Zedong, I heard from Comrade Hu Qiaomu [5170 0829 2606] that they are indeed authentic. Comrade Hu Qiaomu has for a long time worked together with Chairman Mao and has been Chairman Mao's secretary. In those articles it is reported that Chairman Mao read *Bai She Zhuan*, and that he read it from the standpoint of class struggle. He was on the side of the girl Bai Niang and saw Fa Hai as representative of the orthodox feudal powers. After he finished reading it, he stood up and said: "Would it ever do NOT to have a revolution?" He would have wanted to lead the White Serpent and the Blue Serpent to smash the Leifeng Pagoda to smithereens and seize Fa Hai! If there would have been more written, what would have happened? Heaven knows. Now we have it happen that some people don't even bother to interview you. They just pick up bits and pieces here and there in newspapers, and lumping things together, come up with an article. That does not only happen with central government leaders; recently I saw an article about some interview with me, but I don't even know the writer.

[Question] May I ask, why it is that not many influential works have been produced these last two years in the Chinese world of letters?

[Wang] This is rather complicated, and there is not only one reason for it. There are also some influential works, but they have been of little influence on the public at large. We only hear writers say that this piece or that piece is not bad. It is also a fact that sales of works of pure literature have declined. This is too large a question; it cannot be clearly explained in one or two sentences.

[Question] Why has no one in China so far received the Nobel Prize for literature? Is it due to the environment of the writings? Are there limitations to the "letting a hundred flowers bloom?"

[Wang] There are simply three reasons why no one has received the Nobel Prize for literature: 1) They don't understand Chinese literature; China's literature, national conditions, and society have special characteristics. 2) China's literature must become more literary, must produce even greater achievements. 3) Nobel Prizes also have their own limitations, political limitations, and limitations of understanding. Some people have pointed out that there are many great writers in the world who have not received Nobel Prizes for literature. There are also some who have received Nobel Prizes and then have disappeared from the scene. There is nothing definite about it. As to whether there are limitations about "letting a hundred flowers bloom," there are of course. There are differences in how these limitations are formulated. Last year, Comrade Li Ruihuan [2621 3843 3883] in Inner Mongolia said that as long as one does not violate the constitution and the laws, there would be no need for any flagrant intervention. Limitations are only set by the constitution and the laws. What has people worried now are not the constitution and the laws; constitution and the laws must of course be fully obeyed. Worrisome are certain rather odd forms of restraints. For instance, a certain department head or some deputy bureau chief would phone a publication: "That material you are publishing doesn't seem too good!" Then you also don't know whom he represents; does he represent a minister, or a provincial governor, or the Central Propaganda Department, or the Secretariat, or the Politburo? The recipient of the call, a small publication, will not dare to ask. Anyone with weak nerves who receives this kind of a phone call will be in a quandary as to what to do; he will be in a state of extreme anxiety. I believe, we should effectively implement the literary and art policy of the party, and should not adopt this kind of irresponsible procedure.

[Question] Would you please say something about the shortcomings and the future prospects of literature.

[Wang] For a long time, literary creations have been the only way for some talented people to display their talents and thereby excel over the rest, because no other way was open to them. For instance, if you are good at business, but had no way to do business; something that you would be able to do now, of course. If you have had the intention to do something in the area of the theories of the social sciences, that would have been also extremely difficult, so all these people would go into literature. Now the situation is different, society has become more open, choices and opportunities have increased, competition is more widespread, and the attention of people has naturally shifted. Add to it the onslaught of popular literature, which further broadened people's choice of reading material, this all reduced the sales of certain literary products, and even prevented some books from being published. In the overall view, that is also normal and not at all bad. If 4,000 copies of a novel are printed, and each copy is read by two persons, that novel has 8,000 readers, which is also not bad. You can't expect every single person to read novels.

[Question] In the mind of a common reader, the writer is perceived as the engineer of human souls, the literary work must therefore make people feel a certain power, and as to the main intellectual subject, is it to merely present people with a certain experience? Are there not deeper things that we are unable to comprehend?

[Wang] There are also great differences between various experiences, there are common and uncommon experiences, deep and shallow experiences. To comprehend these depends on the capability of the reader to comprehend, and also on the creativity of the reader. At times, understanding of a literary work may be to the following extent: the creative intention of the author and the reader's own supplementations may each account for one half. We hope to find something extremely profound in a literary work, but we must not make the same demands and apply the same criteria to each and every literary work. However, we have to acknowledge that some have nothing profound. As to regarding writers as engineers of the human soul, that is also a debatable question. It is quite impossible that all writers are engineers of the soul. Those who are worthy of this appellation can only be a very small minority, like gold medal winners among the athletes.

[Question] How do you view the present unhealthy state of the literary scene?

[Wang] I just said that according to my personal opinion, things are normal, not really in a very healthy state, but by calling it an unhealthy state, we may be making too high a demand on it.

[Question] May I ask, what is a writer's value in the market economy?

[Wang] In my opinion a writer's value does not manifest itself at all in the market. His income is realized in the market, but his reputation, his social standing, and his influence are not manifestations of the market. The richest people in the world are possibly bankers, directors of insurance companies, etc., but we don't know them at all, also don't feel emotionally close to them, while many writers and poets can enjoy the warm affection of their readers, can become friends of their readers, that is also a kind of value.

[Question] What is your opinion on literary personalities changing to more mundane professions?

[Wang] In my opinion, a person who is truly devoted to art will not easily give up art to earn money. He will, of course, pay attention to his rights, interests, and income, but that does not mean he will put down his work and go into business. As to some people who are more talented as merchants, or who are in urgent need of money, or unflatteringly, are incapable of anymore writing after they have written something, these people might as well shift to more mundane professions as their way out. We need not worry about that, we need not object nor encourage it, just take it as topic of conversation over a cup of tea or after dinner, take note of it, and that's all.

At the same time as some writers make a big fuss about changing to more mundane professions, there are some, like Wang Zengqi [3076 2582 4388], who declared: I remain aloof and indifferent to the market economy. That is also one alternative.

[Question] As Zhang Chengzhi [1728 2110 1807] so firmly upholds his ideal, will he really be able to realize his ideal?

[Wang] The ideal and its realization, there is a process of mutual contradictions. The reason why we have ideals is of course because we want them realized, but in the realization of every ideal we have to make allowances. It is the same when you marry. Between the image you had formed in your mind of the person you were in love with and the person that really became your spouse you have to make some allowances. If Romeo and Julia would have consummated their love, what would it have been like in later years? The life of love which they had pursued and longed for, would it still have remained so fervent, so romantic, and so moving? Idealism in literature is the pursuit of a kind of metaphysical life above and beyond real life, and there is no saying which can and which cannot be realized, that is precisely its meaning. For instance, speaking of the illusion, human imagination, praise, and glorification of love, these will never cease, but we can't say that successful writers on the subject of love have actually been able to realize their ideal. How would they realize it? On the contrary, if they realize it, they would not be able to write about it, that is quite likely. If life with their spouse is so ideal, so beautiful, they will have hardly enough time for all the whispers of love and shows of mutual affection, where can they have time to write love stories! Any living person would then not have sufficient time to attend to that. There are therefore many writers of beautiful poems and songs and writers of love stories who had been disappointed in love. Flaubert wrote *Madame Bovary*, but Flaubert remained an old bachelor. Anderson wrote so many beautiful children's stories, but he too remained an old bachelor.

[Question] There is a popular saying, "it takes one thousand years to produce a Mao Zedong, 500 years to produce a Baili [6296 0448]." I would like you to predict, from the viewpoint of historical development, how long it will take till we can again see a literary work similar to *Dream of the Red Chamber*.

[Wang] We don't hope to see a literary work "similar" to *Dream of the Red Chamber*. We hope to see one completely dissimilar to *Dream of the Red Chamber*, but one that will have the same huge vitality and artistic excellence. The answer to how long it will take could perhaps be found in the *Book of Changes* or the records of an obstetric hospital. I cannot predict that.

### Wang Meng Raps Leftists' Dogmatism

93CM0265A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 4, 1 Apr 93 pp 81-83

[Article by Huai Bing (2037 0393): "Wang Meng's Renewed Clash With the Ultraleftists"]

[Text] Wang Meng's "The Effects of Literature and Art" examines from a dialectical standpoint and from many different angles the social effects engendered by literature and art. He mocks and satirizes the dogmatism of leftist kings.

Early in 1992, after Deng Xiaoping's southern inspection tour, China's literature and art circles, who at that time were thirsting for freedom of literary and art creation, with Wang Meng as their leading protagonist, repeatedly opposed the left and manifested their unhappiness about the way the leftist kings monopolized the literary scene after 4 June. In an article in CHENG MING, I already pointed out that this struggle of resistance has been of not the slightest threat to the dominance of the leftist kings, because of the conservative attitude of Deng Xiaoping in matters of ideology. It might even, quite to the contrary, invite retaliation in the future (see article "Comments on the Anti-leftist Statements by Chinese Writers" in this January issue). Judging by the most recent situation, I have, unfortunately, been right.

Leftist kings will not dare openly and brazenly conduct a large-scale campaign of criticism against anti-leftists, but they are taking the occasion of the ongoing discussion over the "Value of Literature" for a joint attack against Wang Meng's "Caricature of the Effects of Literature and Art" (published in Shanghai's JIEFANG RIBAO on 25 August and 3 September 1992), to warn Wang Meng and his followers.

Only half a month after the publication of Wang Meng's article, WENYI BAO, of which Zheng Bonong [6774 0130 6593] is editor-in-chief, held a symposium on 18 September. The symposium was presided over by the leftist bully Yan Zhaozhu [0917 2507 2691]. (This man had shown himself a bully and has thereby won honors for himself after the 4 June incident by criticizing Liu Zaifu [0491 0375 1788] and Li Zehou [2621 3419 0524], which earned him promotion to deputy editor-in-chief of WENYI BAO). The symposium was attended by all the ultraleftists of the literature and art community, such as Zhang Jiong [1728 3518], Min Ze [2404 3419], Cheng Daixi [4453 0108 3556], Tu Wusheng [3205 2976 3932], Xu Feiguang [1776 7236 0342], Zheng Bonong, and others, and there was not one of the freedom-loving members of the literature and art community present (I don't know whether they were not invited, or refused to attend, but anyhow this was a great assembly of all the leftist kings).

Wang Meng's "Effects of Literature and Art" was aimed at the demands of the leftist kings after the 1989 events that "the theme of socialism must definitely be given prominence" in all literary and art work.

Works that comprised this so-called "main theme" were to have the effect of instilling in the people "patriotism, collectivism and internationalism, provide education in communism, education in dialectic materialism, and to affirm their opposition to capitalism, feudalism, and other decadent ideologies." Simply put, they want artists and writers to merely write and compose hymns in praise of the communist party and the society under communist rule, and to make critical revelations about capitalism, so as to consolidate the rule of the communist party. These ultraleftist propositions are completely contrary to the principle in Deng Xiaoping's "Congratulatory Address" at the Fourth All-China Representative Assembly of Literary and Art Circles, where he said: "Literature and art, that complex mental labor, requires absolutely that writers and artists give expression to their personal creative spirit. What to write and how to write are questions which can only be explored by the writer and artist himself in the course of his/her artistic practice and to which he/she alone can gradually seek resolution. In this respect, there must not be any flagrant interference."

Wang Meng's "Effects of Literature and Art" explores the problem of the social effects engendered by literature and art from a dialectic standpoint and from diverse angles. He ridicules and satirizes the dogmatic suggestions for literature and art by the leftist kings.

### Views on the Effects of Literature and Art, Starting Out From Experiences in Actual Practice

Wang Meng believes that the social significance of literature and art is derived from a great variety of causes. Of course, being a communist, Wang Meng does not at all oppose that literature and art serve socialist politics, but he believes that the problem is whether "giving prominence to the main theme" is the only way of serving socialist politics and the only way to achieve the effect of consolidating the rule of the CPC. His answer to these questions is in the negative.

As an example he mentions that in the United States, films made in Hollywood are mainly made for entertainment, and their production is mainly guided by considerations of market value, but that these films are of an inestimable effect as pro-U.S. propaganda. From beautiful scenery to latest fashions and songs, from life style to language and modes of thinking, they are introducing the United States of America all over the world. There is no shortage of horror pictures and films that show the darker sides of society. According to the views of the ultraleftists, would these films not have the effect of stirring up revolts among the audiences? But after seeing these films, the audiences show no inclination to revolt. They come out of the movie houses, merely looking at all the evening lights lighting up, feast their eyes on the beauty around them, and nowhere are they faced with any scenes of terror.

In the opposite case, "purity" of the literary and art scene and the model dramas of Jiang Qing [3068 7230] reached their zenith during the cultural revolution, when



the said "main theme" reverberated loud and powerfully. Jiang Shuiying [3068 3055 5391], A Qing Sao [7093 1987 1269], and Fang Haizhen [2455 3189 3791] were main actresses at that time, but they did not even have hubbies, no private profits, no small families of their own, no "sex." All that this period in the history of China's literature and art left behind for its people is a bleak and desolate scene, feelings of harm and hurts, and very deep regrets. It is indeed a warning to all of us against calling out for the said "main theme."

The relationship between literature and art on the one side and politics on the other side is an extremely delicate one, and not so simple as an "if not red, then white" situation that the ultraleftist dogmatists imagine it to be. Wang Meng refers as an example to Li Xianglan [2621 7449 5695]. She was entirely a creation of the Japanese aggressors, who had made her into a false Chinese, a false Chinese film star and a star singer. Not long ago, the Japanese "Shiki Gekisha [Four Seasons Theater Company]" came to China and performed the opera "Li Xianglan" in celebration of the 20th anniversary of the resumption of Sino-Japanese diplomatic relations. In the course of the performance, Li Xianglan sang "Ye Lai Xiang [The Song of the Tuberose]" and "He Ri Jun Zai Lai [When Will You Be Back?]" These two songs were banned from the Chinese stage as being closely associated with "Chinese traitors" during the Japanese occupation of China. However, for the last 10 years, the two songs have become popular, and those who listened to or sang them were no traitors, and hardly any who sang them ever thought of the bogus Manzhuguo regime, of Wang Jingwei [3076 4737 5898], and of other traitors. There is, therefore, no need at all to be too sensitive about the effects of literary and art works.

During the last few years, the leftist kings ruling over China's literary and art circles adopted a rather crude attitude in the case of the movies "Ju Dou [The Story of Ju Dou]" and "Da Hong Deng Long Gao Gao Gua [Raise the Red Lantern]." These two films reveal certain seedy aspects of old China, and both received prizes for excellence abroad. They were for a long time not permitted to be shown in China (the ban was lifted only recently). Wang Meng ridiculed this attitude. He said, the imperceptible influences of literary and art works are often concealed and of lasting effect. For instance, if the literary and art works of one country circulate in another country, they are naturally apt to create a favorable impression of the country of origin among the people of the recipient country, even though the works may not propagate the greatness of the country of their origin; they may even, just on the country, freely satirize, speak sarcastically, or make fun of the country of their origin. He believes that people who read much may either become convinced that "everything Chinese is best," or there is also the possibility that they become active critics. It is really too naive to think, as that group of leftist kings does, that glorifying the works of the dragon will make people love dragons, and glorifying the works of the phoenix will make people love the phoenix. It

might work with children, but definitely not with adults who are somewhat mature in views and experiences. The intention of directly interfering in the trends of thought of adults will often evoke a reaction; it may make people respectful toward literature and art, or make them keep themselves at a respectful distance away from it.

Wang Meng means that the post-1989 literary and art works that sing the praises of socialism and of the communist party are lacking in social effectiveness. Not only will they not instill fervent love for socialism and the communist party, but will, on the contrary, have people keep themselves at a respectful distance away from Chinese communist literature and art.

Wang Meng's assessment of the unhealthy state of literature and art during the last few years, when it was controlled by the leftist kings, was as follows: "There are still some who believe themselves to be extraordinarily revolutionary, extraordinarily deserving to be called 'socialist,' simply through and through Marxist. They may, for instance, proclaim a certain journal to be so very, very excellent, like coming from an area stricken by a serious disaster back into a kind of paradise. Later, however, if sales steeply decline, they must acknowledge to themselves that they are not appreciated." He then asked the question: "If this kind of a literature and art that is labelled 'socialist,' indeed becomes divorced from the masses of writers as well as from the masses of readers, where then is there any significant beneficial effect of this kind of literature? Is it then working to the glory of socialism or is it giving socialism a bad name?" Here, Wang Meng directs his attack directly against the leftist kings and traces to them the responsibility for the prevailing state of affairs where no one seems to show anymore interest in literature and art.

#### A Criminal Without a Crime

In reaction to Wang Meng's cold derision and hot satire, the leftist kings, of course, flew into a rage. Relying on the great power in their hands, and using their control of the mass media, they launched a sweeping criticism against Wang Meng. But they had to rely on only "some 10 men and seven, eight rifles" and the quality of what they could deliver was poor, the long and the short of it was always the same hash of dogmatism. All they could do in any argument was to bring up the "fighting function" of the so-called revolutionary literature and art of Mao Zedong: "Unite and educate the people, strike at and destroy the enemy." Those so-called commentators did not dare to affirm the objective practice, but assuming airs of great stature, intimidated people, stubbornly holding on to rigid doctrines. In the end, whenever their theories collided head on with Wang Meng's theories, which are derived from actual practice, they immediately lost the battle. Their only way would then be to attack by taking phrases out of context and deliberately misrepresenting the original meaning in Wang Meng's writings.



When discussing "On the Value," one spokesman by the name of Li Zhengzhong [2621 2973 1813] disagreed with the following view that was expressed by Wang Meng: Singing "Ye Lai Xiang" will not induce people to become traitors, and as you can see, Hollywood's horror films and films exposing the darker sides of society will not provoke people to rise up in revolt, but will instill a more fervent love of life. On the other hand, seeing "Da Lang Tao Sha" [Great Waves Cleanse the Sand], a film on revolutionary history, will have our children want to emulate the suicide of heroes and thus may have most unfortunate consequences. Li believes, putting it in this way makes it very difficult to foretell the effect of a work of literature or art; anything can happen, depending on how the reader or viewer will handle it and what their emotional reaction will be. In that case, "the so-called value of a piece of literature or art, and any study, exploration, and discussion of related problems are completely senseless" (see, WENYI BAO 24 October 1992, p 3). In WENYI LILUN YU PIPING (No 6, 1992), of which Cheng Daixi and Tu Wusheng were editors-in-chief, in his article "Again on the Social Effect of Literature and Art," Jiang Bei [3068 0554] even calls Wang Meng's views treason and heresy in socialist literature and art: "Literature and art involve the most serious theoretical issues. To treat particular conditions as common seems to leave us without any point of departure, and nothing definite could be said. According to the logic of that article, all demands made on literary and art work, all the motivations, aspirations, and subjective efforts of writers and artists would all seem to become sheer nonsense. In his words, and hidden between the lines of his writings, there is disdain and contempt for the sense of responsibility and sense of mission of the socialist workers in the literature and art field." The phrase in the article between the words "all those" and "demand" obviously refers to the Marxist-Leninist view of literature and art of Mao Zedong and Deng Xiaoping, and to the literature and art principle of the CPC, but Wang Meng's article expresses disdain and contempt for all that, so how deny that he is antiparty and antisocialist? It is in this way that the ultraleftist literati recklessly and without inhibition insist on labelling Wang Meng a criminal without any crime that would justify his condemnation. It merely shows the depth to which the ultraleftist literati have sunken in their methods!

#### **Pay No Attention to the Barking of the Ultraleftist Literati**

Wang Meng is the anti-leftist standard-bearer of the present literature and art circles of Communist China. After conclusion of the "Hardened Thin Gruel" incident year before last, his anti-leftist standpoint has become ever more determined. His behavior is quite different from that displayed when he participated in 1982 at a symposium on contemporary Chinese literature at St. John's University in New York. I remember that at that time he had a very shallow awareness of the dangers of the ultraleftist line in literature and art. In the last 11 years, Wang Meng and other writers and artists have personally suffered intimidations by the ultraleftist elements, but have stood together through thick and thin, and together they call for the freedom of writers and artists and pay no attention to the barking of all the ultraleftist

clowns. I support Wang Meng and his followers wholeheartedly and assure them of my highest respect!

#### **Review of Short Story 'Death of Matriarch'**

93CM0234A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 3, 1 Mar 93 pp 82-83

[Article by Lu Min (6424 2404): "Degeneration or Passing Pains?"]

[Text] In pushing economic reform while "adhering to the four cardinal principles," the CPC is faced with irreconcilable contradictions. While bringing in capitalist investment funds, it also vigorously preaches that "only socialism can save China," and this has caused extremely great confusion in the ideological field. For the younger generation, faith, of course, is worthless to begin with. But for people of the older generation, who "suffered bitterly in the old society and had a deep class hatred" and who have followed the communist party closely in revolution, how can they face a society, which no longer distinguishes between "socialism" and "capitalism" with the collapse of their faith?

**The fascination lies in "it's hard to tell."**

This valuable subject matter for literary creation was seized by Lu Wancheng [4151 5502 2052], a young writer in Shandong. His short story "The Death of a Matriarch," published in the June 1992 issue of ZUOPIN YU ZHENG-MING, vividly describes how people's concept of faith, reason, morality, and other values, formed over a long period of time, is being profoundly shaken under the impact of the commodity economy. In the face of such a shock, people are confused as never before, and for the leading female character in the story, it was a blow from which she could not recover.

The leading female character, Li Qiulan, was no "stranger." She first appeared in RENMIN WENXUE 10 years ago. She was then portrayed as a peasant with a distinct personality in the story, "The Matriarch," by the Shandong writer Wang Runzi [3769 3387 3320]. RENMIN WENXUE editor's note said: In the course of rapid and violent changes in life, "some people became confused," but Li Qiulan was able to "stand firm and active as usual." Ten years later, however, the same Li Qiulan died a lonely death when her belief was shattered. ZUOPIN WENXUE editor's note is significant: "Is this the inevitable degeneration of society, or the passing pains of history? It is hard to tell. But that is exactly what makes 'The Death of a Matriarch' so fascinating."

The story of "The Death of a Matriarch" is very dramatic. Li Qiulan was a slave girl owned by landlord Liu Jingui, and suffered a lot. Only after the arrival of the communist party was she able to stand up and become master of her own fate, and she took part in overthrowing the landlords and got her share of land. She was particularly grateful for being given the landlord's ancestral home. Subsequently the overthrown Liu Jingui went to Taiwan and then Japan, where he started a business.

In the midst of the mainland's reform and opening to the outside world, Liu Jingui, now a "patriotic overseas Chinese," returned to his native place and invested in industry and education, for which he was warmly applauded in the county. A joint venture was planned to earn \$400,000 in foreign exchange annually and employ about 300 workers. The news created a sensation. A special investigation by the county government revealed that Liu Jingui had assets totalling some \$8 million in Japan, "the potential is great." To induce Liu Jingui to invest more, the county magistrate took the initiative to propose that Liu Jingui's ancestral home, which was confiscated during land reform, be returned to him and established as the former residence of this "famous patriotic overseas Chinese." To Li Qiulan, the proposal was like a demand for her very life. She had always remembered the oppression she suffered from the landlord in the past, the scene of the public denunciation of Liu Jingui 40 years ago, and that it was the communist party and Chairman Mao who so kindly gave her the former landlord's house and made her the new mistress. But now it seemed the policy had changed, and it was hard for her to understand and accept. The county magistrate came to her in person to do ideological work, but she flatly refused to move. Then a formal document came from the county, ordering her to move out. Li Qiulan thought hard over and over again. It was as if the world had turned upside down. She piously brought out Chairman Mao's picture, fell down on her knees, and sobbed bitterly. Finally she was overcome by grief and died a few days later.

#### **The communist party's dragon throne has collapsed.**

The story has the rugged style of Shandong writers. The lifelike dialogues and characterization make the story realistic and moving. Through the tragedy of Li Qiulan, the author hints at the inevitable fate of those who fail to understand historical changes.

The entire story evolves around Li Qiulan's words and deeds. In fact, the word "matriarch" is indicative of Li Qiulan's character and position. Headstrong and quick-tempered, she was in charge both inside and outside the house. Even her husband and sons must listen to her. Therefore, she was absolutely the central figure. Liu Jingui, the person who had affected her whole life, never appeared himself, and readers became aware of his existence only through the words of others. As he invested more and more money, his influence became stronger and stronger. Even the county magistrate tried in every possible way to please him. This is a penetrating portrayal of the people in general on the mainland today, who would "lick the hand of anyone who throws a few crumbs."

Ten years ago, as it was described in "The Matriarch," Li Qiulan felt no agitation or uneasiness when receiving Liu Jingui, who had made good abroad and returned to his native place for the first time. The understanding on her part about reform and opening to the outside world was highly praised by the authorities. However, in "The Death of a Matriarch," which is a sequel to "The Matriarch," it is emphatically

pointed out to readers that Li Qiulan was secure and calm at that first meeting because she firmly believed that "even if the sky falls, the communist party's dragon throne will not collapse." However, with the delicate development of the situation, Liu Jingui now became the God of Wealth in the eyes of many. Men and women, old and young, everyone in the village were grateful to Liu Jingui for the school he built. Things which were impossible to do in the past now became possible with Liu Jingui's money. When a joint venture, with Liu Jingui as chairman, and the county magistrate as vice chairman, of the board, was inaugurated in the village, an honor guard of primary school students presented flowers to Liu Jingui, amid the din of firecrackers, drumbeats, and strains of music, and even newspaper and television reporters came for the grand occasion, a rare spectacle in a small mountain village. The matriarch, however, felt a dull pain in the scar on her forehead, where she used to be hit by Liu Jingui with a water pipe in the old days. At the site of the new factory, another spectacular mass meeting was held 40 years ago. That was a meeting to publicly denounce the rich landlord Liu Jingui, at which the matriarch and her husband mounted the platform to level charges against Liu, and filled with grief and indignation, slapped him in the face...

#### **Fearing "restoration of the old order," she resisted till death.**

The story vividly describes Li Qiulan's feelings against "restoration of the old order" and against reform: "The matriarch wonders, what has happened to the people, have their hearts been eaten by worms? The corners of her mouth tighten, and her eyes narrow. The man was publicly denounced right here 40 years ago, but now he is back in honor and sits on the platform, accompanied by the county magistrate... she was a slave girl in the past, but now she is the mistress. She was poor in the past, still is not rich now, but the feeling is different."

"She also feels that things are not the same as they were a few years ago, though living conditions are somewhat better than before. Money is a good thing. How can anyone live with no money to pay for what he needs? Still, one should not kowtow to anybody just for money's sake. If a family with many able-bodied members fail to support themselves, money alone cannot give them the will to do better."

"Since the communist party took over the country, rules and regulations have come out one after another, some of which are right and some are wrong, but all are intended to work for the good of the poor and common people. The right ones are better, but even the wrong ones are not bad, and in any case we have got along pretty well all this time. Since Pan Gu created the universe, this is the first time we ourselves have the final say on our own affairs, and we should be content."

"The matriarch waves her hand: I will not move, even if you send a sedan chair carried by eight men. It is my belief that the communist party should not help an

outsider against its own. I am determined to live in this house till I die. When I die, I want my body to be put in a coffin right here."

Her words became a self-fulfilling prophecy. The matriarch died in anger in the "liberation house," which is the climax of the whole story. The county magistrate (whose son went to study abroad through Liu Jingui) called on her in person to try to persuade her to change her mind: "I can understand your feeling, but we have a basic belief, that is, only socialism can save China. However, our country is very poor, and we need investment." The matriarch's husband could no longer hold his tongue: "Taiwan has more money than they know what to do with it. Why not ask them to come back and take over." The county magistrate showed no irritation: "They are surely welcome. Our policy on investment from Taiwan will be further liberalized." The matriarch's husband said: "If we had known it would come to this, we would have acted differently. Why in hell did we have Liu Jingui publicly denounced in the first place? Isn't it right that we should get rich first? Liu Jingui was already rich 40 years ago." The county magistrate roared with laughter: "That doesn't mean we should not take the road toward common prosperity."

Now the matriarch "feels confused, as if there is a mess of flax yet to be untangled. She is wrapped by a huge shadow, and she charges in all directions, but cannot break through the black barrier. She is dazzled by something she cannot catch, see, or stop, and she cannot figure out what it is. Suddenly it dawns on her. Could it be that the old order is about to be restored? Instantly her face turns waxen, and her hands begin to tremble. A tea cup she is holding falls to the ground and breaks into pieces." She shouts out angrily: "Only when the flag on Tiananmen is brought down and the blue-sky-and-white-sun flag is raised, and only when that happens, will I move out from this house, without being asked by you, immediately and without bargaining." From then on, she stayed in bed and never got up again. In a few days, she became very old. One night, "she

staggers to her feet, brings out a picture of Chairman Mao, lights a joss stick, and falls on her knees, saying: Please, Chairman Mao...bless the country with peace... And then she cries loudly... A few days later, the matriarch dies peacefully."

#### The tragedy has deep historical roots.

The story gives a very minute and straightforward description of Li Qiulan's mental journey, giving people the impression that the image of this peasant woman actually represents the difficulty and resistance faced by reform and opening to the outside world. It is worth pointing out that except for Li Qiulan herself and her husband, all the other people are on the opposite side. There is a reason for these people to worship Liu Jingui: Life has been too hard in the rural areas in the 40 years of CPC rule. The story indirectly tells about the hardship suffered by the peasants from exorbitant taxes and levies, and from policies which "change often and without warning." The party branch secretaries are no different from the chiefs of the old bao-jia system. Even the matriarch agreed: "Poor people are short in self-respect, and lean donkeys have long hair. After 10 years of reform, we are somewhat better off, but also getting into debt." She finally figured out the truth on her deathbed: "If you are wine and dined, and receive money from someone, you cannot expect to be treated as equals."

In fact, the tragedy of Li Qiulan has deep historical roots. The CPC must admit the mistake it has made for decades in pursuing an obscurantist education policy. Only then will it make sense to pursue in-depth reforms and open to the outside world. The story mocks the county magistrate, who prostrated himself before Liu Jingui and kept talking about "socialism": "Keep trying to fool the people. It doesn't matter if you cannot come up with a reasonable argument. The people know what you are really doing anyway." "The Death of a Matriarch" reflects the perplexity, debate, and even death, caused by "capitalism" and "socialism" in the rural areas. The question is, how can the CPC explain to the masses of peasants what it really means in "suddenly waking up from decades of revolution and returning to the pre-liberation days?"